





## NEWS: EUROPE

# Yeltsin lays down the law to leaders of Russia's regions

By John Lloyd in Moscow.

PRESIDENT Boris Yeltsin yesterday told leaders of Russia's 88 regions and republics to approve a new constitution stripping them of privileges and rights and asserting the power of the presidency and the federal government.

In a toughly worded speech to the regional leaders, the Russian president insisted on removing from the draft constitution all reference to the republics as "sovereign states" and to a right of secession clauses which had been part of earlier drafts before Mr Yeltsin's hand was strengthened by his military victory over the Russian parliament a month ago.

He also said the 67 regions and the 21 republics must enjoy the same rights and responsibilities - rather than, as now, a bias in favour of republics.

A group of regions, including

Tatarstan, Yakutia, Bashkiria, Kabardino-Balkaria and Dagestan, have objected to these clauses and demanded changes.

Mr Mintimer Shaimiyev, president of Tatarstan, said that "this is the constitution of a unitary state. People in the republics will not support such a draft."

However, after a day's argument, Mr Yeltsin ordered a six-man commission to thrash out an agreed position - while making it clear through Mr Sergei Filatov, his chief of staff, that he would not fundamentally alter the disputed clauses and that if no agreement was reached by November 10, a statutory referendum would be held on the constitution.

The republics, especially those in most vocal disagreement with the

president, have in the past two years greatly increased their powers in relation to the central government.

While president and parliament were locked in a long power struggle, the ability of Moscow to govern the country, and even to raise taxes, steadily declined.

Many republics - such as Tatarstan and Yakutia, rich respectively in oil and diamonds - have passed laws giving them prior rights to make deals and economic treaties without reference to the centre.

In the aftermath of the suppression of parliament and a display of central authority, Mr Yeltsin is using the period before the elections for a new parliament to stamp his authority indelibly on the country - especially by putting in place a constitution which gives him more powers than enjoyed by the French or US presidents.

## Wave of market reforms ready to be unleashed

By John Lloyd and Gillian Tett in Moscow

RUSSIAN authorities are preparing a wave of legislation to put a market system firmly in place, on the assumption that the December 12 parliamentary elections will return a reformist government, ministers said yesterday.

The reforms include:

- Laws on foreign investment which would guarantee property rights and the ability to remit profit.
- A new phase of privatisation from July next year, covering sectors such as energy and transport.
- A decree allowing the government to set strict performance and profit targets for state-owned companies.
- The drastic reduction of the Ministry of the Economy, formerly Gosplan, to a small agency concerned with analysis and forecasting - thus ending top place in economic management to the Finance Ministry for the first time since the Bolshevik revolution.

The reformers, many of them

on the ticket of Russia's Choice, the main party of the right, are confident of securing a reform-minded parliament and thus a radical government. Professor Richard Layard, who co-heads the Centre for Economic Performance in Moscow, reflected the optimism when he said yesterday that "if Russia can stick to a course of tight monetary control and bring down inflation, then by the end of the century it could have the fastest-growing economy in the world."

However, the figures produced yesterday by the Centre remain discouraging. Inflation stayed over 20 per cent in September, while the real exchange rate of the rouble and output continued to fall.

Mr Yegor Gaidar, the first deputy prime minister, told a government session on privatisation yesterday that the mass privatisation of enterprises by voucher would continue until July 1 next year, after which "a deep transformation" of the

programme would be set in train, aimed at establishing strong companies and investment groups. The emphasis would shift, he said, from the rapid distribution of state property to individual programmes targeted on industries and companies.

Mr Valery Fateyev, deputy economics minister, said yesterday that a series of laws were now in preparation for the middle of 1994 to give guarantees to foreign investment, to set in place a federal tax structure, to support private property, and to facilitate the sale and purchase of land. There were "no serious investors" in Russia because there were "no guarantees for tomorrow."

"The law must give such guarantees," he said. Mr Viktor Chernomyrdin, the prime minister, called privatisation, which he has criticised in the past - "the locomotive for reform", while Mr Gaidar said that it was now free from the political pressure exerted upon it by the former Russian parliament.



Chancellor Helmut Kohl at a cabinet meeting in Bonn yesterday where a law against insider trading was approved

## Outlook dim in west Germany

By Quentin Peel in Bonn

THE west German business community sees no sign of an early recovery from the current recession, even if the decline in economic activity has slowed down, according to the latest comprehensive survey of business opinion.

The autumn poll of 25,000 enterprises in east and west Germany, conducted by the German chamber of trade and industry (DIHT), shows a continuing improvement in the mood in the east, but an overwhelmingly gloomy assessment of prospects in the vital western economy.

However, the federal statistics office released a more cheerful indicator yesterday,

suggesting manufacturing industry orders in west Germany increased by 1 per cent in September, compared with August. The main factor was a 1.5 per cent increase in export orders and a 1 per cent rise in the domestic market.

The combined level of August and September orders was still 5.4 per cent below that of the previous year, with the sharpest decline in the value of orders for investment goods - down 6.7 per cent.

The key conclusions of the business survey are a further decline in investments in the coming year, and a continuing loss of jobs in the west, although with a slowdown in redundancies in the east.

"There is still no sign of a

recovery in the [western] economy," Mr Franz Schoser, chief executive of the DIHT. "Signs of stabilisation at a low level are emerging."

A marginal improvement in expectations for 1994 - with 20 per cent of the enterprises expecting an improvement, compared with only 12 per cent in the last spring survey - is based mainly on hopes for a recovery in exports. Some 24 per cent expect higher exports, compared with only 16 per cent in the spring, against 25 per cent expecting lower exports compared with 37 per cent in the spring.

"The frosty investment climate has grown more severe," Mr Schoser said. "The consolidation measures in the public

sector are regarded as inadequate. Hopes for a cut in taxes are receding."

One positive assessment was over the effect of the reduction in interest rates, which should reduce business costs, and stimulate consumption.

German companies are taking drastic measures to improve their competitiveness in the current climate, Mr Schoser said, involving cuts in capacity and other rationalisation measures. Employment levels in 1994 would continue to be drastically reduced. The number of enterprises planning to increase employment in the coming year shrank to just 5 per cent, compared with 7 per cent in the spring and 9 per cent last autumn.

## Cabinet approves draft financial law

By David Waller in Frankfurt

GERMANY came a step closer to introducing a modern regulatory infrastructure for its financial markets yesterday when the cabinet approved the draft of the second Financial Markets Promotion Law.

Mr Theo Waigel, finance minister, said that the law counted as a "quantum leap

forward" for the international competitiveness of Germany's financial services sector and was one of the most important pieces of legislation in the life of the current parliament.

The long-awaited law will make insider dealing a criminal offence in Germany for the first time, punishing offenders with up to five years in jail or a fine of up to DM500,000

(\$308,000). It will also establish a regulatory body to supervise the German securities industry, a German version of the Securities & Exchange Commission responsible for policing the US securities markets.

In addition it will introduce new disclosure thresholds for share stakes, making it obligatory for shareholders to be declared when they reach or go

over 5, 10, 25 and 75 per cent. At present stakes only have to be disclosed when they reach 20 to 25 per cent compared to 3 per cent in the UK.

The draft law was first proposed by Mr Waigel, finance minister, in January of last year.

It is likely to be enacted by parliament in the first half of next year.

## Paris and Bonn to be Emu symbol

By David Buchanan in Paris

FRANCE and Germany will be able to demonstrate to their EC partners later this month "the credible convergence of Europe's two largest economies" by the mid to late 1990s, Mr Edmund Alphandery, France's economy minister, claimed yesterday.

Speaking a day after he and his German counterpart, Mr Theo Waigel, jointly unveiled the thrust - though not yet the detail - of their medium-term convergence plans, Mr Alphandery defended his government's estimate that the French economy would recover to grow by an average 3.2 per cent in 1995-1997.

He said this estimate was tenable in view of France's growth record in past decades, and of the fact that France would be bouncing back from its 1992-1993 recession. Mr Alphandery described the French and German governments' joint preparation of their convergence plans as "symbolic" in the context of the Maastricht treaty's requirement that EC economies should converge on spending, inflation criteria to qualify for monetary union.

EC ministers are to discuss their countries' medium-term plans on November 22, paving the way for the EC summit in December to set general guidelines for economic convergence, as laid down in the Maastricht pact.

Convergence discussions with Germany, which started right after the monetary upheaval of early August, "have led us to adapt our own medium-term projections," Mr Alphandery said.

The French government had been working on the minimum assumption that France's economy would grow by 2.8 per cent annually in 1995-1997, which would at least bring its budget deficit under 3 per cent of gross domestic product, as required by Maastricht.

But emboldened by official German insistence that Germany, which is France's biggest trading partner, would have average growth of 3 per cent throughout that period, the French government has now set a more ambitious post-1996 growth in its own economy at up to 3.5 per cent.

In the much shorter term, Mr Alphandery scaled down his estimate of this year's contraction in the French economy from 0.8 to 0.7 per cent, in line with the forecast of Insee, the official statistics agency.

### NEWS IN BRIEF

## De Benedetti legal team voices optimism

Mr Carlo De Benedetti, the Olivetti chairman, could be back at work "within two or three days," according to lawyers defending him against charges of alleged corruption, writes Haig Simonian from Milan. Mr De Benedetti was placed under house arrest on Tuesday after giving himself up to police in Milan. Following a transfer to Rome, where he was formally jailed, he was interrogated by magistrates investigating political corruption.

The terms of Mr De Benedetti's detention at his home in one of the most prestigious parts of Rome are relatively lax. Unlike some businessmen implicated in the 21-month corruption scandal, Mr De Benedetti has been allowed to receive visitors and to use the telephone to conduct his business affairs.

However, Rome magistrates have forbidden him from leaving home until they can weigh up the "new" information, which they claim emerged from Tuesday's two interrogations. Mr De Benedetti admitted in May to Milan magistrates then investigating alleged kickbacks to post office officials that Olivetti had paid about L10.6bn (\$4.4m) in bribes to win equipment contracts.

**Ukraine foreign currency curb**  
President Leonid Kravchuk yesterday banned the buying and selling of foreign currency in Ukraine, closing down all auction centres and exchange points, writes Jill Barshay from Kiev.

Hard currency exchange transactions are now confined to government-authorized imports and exports. The decree was the latest in a series, which this week has increased the government's control on the economy, dashing hopes that Mr Kravchuk might try to introduce market reforms before parliamentary and presidential elections due next year.

## Thousands of Croats flee town

Croat forces yesterday abandoned Vares, one of their last remaining pockets of control in central Bosnia, to the Bosnian army as thousands of civilians were reported to be fleeing the town, writes Laura Silber from Belgrade. Fearing an assault by the mostly Muslim government army, some 15,000 Croat villagers fled, with 5,000 people hiding out in a quarry south-east of Vares, the UN said. Some 10,000 people were "on the run" in forests surrounding the town, 20 miles north of Sarajevo.

## Greek opposition chief chosen

Greece's opposition New Democracy party, which suffered a crushing defeat by the Socialists in last month's general election, yesterday elected Mr Miltiades Evert, a former mayor of Athens, as its new leader, writes Kertis Hope from Athens. Mr Evert, 54, replaces Mr Constantine Mitsotakis, 78, the former prime minister, who resigned the ND leadership when the conservatives lost.

## Car sales recovery forecast

New car sales in west Europe are expected to begin a weak recovery next year following the steepest fall in demand in the post-war period in 1993, writes Kevin Done. According to forecasts released yesterday by DRI, the London-based automotive analysts, new car sales in west Europe will rise by around 3.5 per cent next year to 11.89m. Sales are forecast to drop by 15.1 per cent this year to 11.49m from 13.49m in 1992.

## Oil industry critical of Norway's tax reform plan

By Karen Fosell in Oslo

THE Norwegian government is drafting changes to its oil tax regime which could increase the burden on foreign and domestic oil companies operating in the country, according to tax specialists.

The minority Labour government aims to complete a draft of the proposed tax reform by the end of the month, but it would be made retroactive to January 1, 1993.

On Monday, Mr Arne Oelen, permanent finance secretary, told a conference in Oslo that Norway was considering reducing tax concessions to oil companies that use high levels of debt to increase their tax allowances.

Industry reaction to the government move has been critical. "This would have a serious negative impact on the Norwegian oil industry as well as Norwegian society as a whole," according to Mr Mark Randle,

finance manager of Phillips Petroleum Norway. "There should be no doubt that future investments both onshore and offshore would be hurt by the proposal."

"Also, the fact that the proposal is meant to be enacted with retroactive effect from January 1, 1993, shows that the industry can have little confidence in the Norwegian fiscal framework. There have been investment decisions made with the expectation that the 1992 fiscal framework would last longer than one year."

Last year the government implemented a reform to the petroleum tax regime but it created a loophole for foreign oil companies, allowing them to repatriate funds to parent companies at the expense of the tax authorities. The loss to the government is estimated to be several hundred million kroner annually. At present, oil companies are allowed tax deductions of 78 per cent on

the interest payments on their borrowings. Tax specialists say this has resulted in Norwegian subsidiaries repatriating substantial dividends to their foreign parent companies, while at the same time running up borrowings.

The government is now considering reducing the rate of tax deduction allowed on interest payments to 28 per cent.

Mr Anders Utne, a senior executive with Saga Petroleum, Norway's biggest independent oil company, sharply criticised the proposed move. "The government will punish the Norwegian oil companies for the sins of foreign oil companies and subsidize operations in Norway," Mr Utne said.

Tax specialists said there could also be an increase in the special tax on petroleum operations, which is currently a 48 per cent levy on extraordinary income from offshore operations. That is on top of 28 per cent corporate tax.

## Call to lift restrictions on media

By Andrew Hill in Brussels

EUROPEAN newspaper and magazine owners yesterday warned the European Commission and EC governments against hampering the development of "multimedia" companies.

The European Publishers' Council said media, computer, telecoms and consumer electronics groups in the US and Japan were already forming alliances. They could corner the European market unless restrictions on cross-ownership of different media were lifted, the council warned.

"The EPC, which represents 26 European publishers, yesterday launched a report on the multimedia technology which argues that 'cross-media activity [in Europe] is not only inevitable but essential if newspaper and magazine publishers are not to lose competitive advantage and so atrophy.'"

## Mercedes back on starting grid

By John Griffiths

MERCEDES-BENZ, the German luxury carmaker, is re-entering grand prix racing next year for the first time since 1954, in one of the most ambitious international motor sport programmes of recent years.

It also plans to compete in North America's rival to the grand prix, IndyCar, in 1995. And it is to use its new small C-class model for an official attack on the prestigious German touring car championship.

The loss-making producer, which is currently cutting tens of thousands of jobs is likely to be criticised by some for the extravagance of the move at a time of crisis. Motor sport is one of the most expensive of all promotional and marketing activities. Leading grand prix teams such as Williams or McLaren require at least £20m to operate for a season. But company executives

believe the programme is essential to reinforce Mercedes' threatened image as a technology leader at a time of increasing competition from rivals, particularly the Japanese.

The move into North American motor racing, in particular, is seen as almost unavoidable given that both Honda and Toyota are planning to make their IndyCar debuts next year. North America is by far the world's biggest luxury car market and Toyota's Lexus luxury cars are now out-selling Mercedes by almost two to one.

Mercedes' grand prix and IndyCar involvement will be mainly through the supply of engines. In the same way as Renault and Ford supply engines to the Williams and Benetton teams respectively. The company said last night that the programme "is a clear commitment to competition and will effectively support the market offensive in the media world-wide."

## Brussels urges agreement on steel

By Andrew Hill in Brussels and Haig Simonian in Milan

THE European Commission still hopes to rush through proposals on the restructuring of the Community's state-owned steelmakers in time for formal approval by EC industry ministers in two weeks.

Senior Commission officials yesterday welcomed "positive new elements" in the Treuhand privatisation agency's plans for the sale of Ekostahl, the east German steelmaker. They said they believed an acceptable deal could also be struck with the Italian authorities on the restructuring of Ilva, the loss-making producer.

But national officials believe there may not be enough time to sort out member

states' remaining objections to the Commission's proposals and push for unanimous approval of the Italian, German and Spanish steel restructuring at the November 18 meeting.

Delaying a decision until December would further punish the EC steel industry, which is groaning under the burden of overcapacity, slackening demand and alleged unfair competition from outside the Community.

Wider EC plans to cut capacity and support the steel producers cannot take effect until decisions have been made on the restructuring of publicly owned steelmakers in east Germany, Italy and Spain.

The commission had originally hoped to agree an overall plan for capacity cuts, financial and

commercial support, by the summer.

A senior Commission official said yesterday: "We can't possibly postpone this council [of ministers] either they come to a miraculous agreement [on November 18], or we will have a very direct and dramatic exchange of views which hopefully will clarify the situation and at least pave the way for a final agreement."

Both the German and Italian authorities are expected to submit formal plans to the Commission for the restructuring of their problem steel producers in the next few days.

According to Trenhand plans unveiled two days ago, Ilva, the private Italian steel group, is expected to buy 80 per cent of Ekostahl, and invest in the construction of a

new hot-rolling mill. Brussels officials said yesterday they would have to examine whether there was sufficient private investment in the hot-rolling mill to avoid adding to problems with overcapacity.

Private steelmakers will not make the painful closures that Brussels believes are required to restore the EC industry to health unless they are sure competition is not being distorted by subsidies.

Ilva, meanwhile, has formally approved a plan to divide itself into three separate operations, seen as a vital precursor to privatisation, or, in some cases, closure. The three operations cover the group's big flat products operation, based at Taranto in southern Italy; stainless steels, based at Terni in Umbria. The

third company incorporates all those activities and assets due to be liquidated, along with a majority stake in the quoted Dalmine tubes group, which is set to be privatised.

Commission officials said yesterday they were heartened by the privatisation proposals contained in the Ekostahl plan.

To avoid accusations that the German authorities are covertly subsidising new capacity, German officials indicated yesterday that a separate legal entity, owned by Ilva, may be set up to build the new hot-rolling mill at Ekostahl. Ilva, one of Italy's leading private steelmakers, is still family-owned, is based in Milan and has most of its productive capacity in northern Italy.

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# Iraqi killed in border kidnap bid

By Mark Nicholson in Cairo

A KUWAITI surveyor shot and killed an Iraqi policeman, wounding a second, in a skirmish inside the Gulf state's United Nations-defined northern border, UN observers said yesterday. The incident is among the most serious for nine months on the border, the demarcation of which Iraq has refused to accept.

The UN Iraq-Kuwait Observer Mission (Unikom) said the shooting occurred on Monday afternoon after three Iraqi policemen crossed into Kuwait territory 2km west of Umm Qasr port in an apparent attempt to arrest six Kuwaiti surveyors. The Kuwaitis were making a survey of properties along the border strip.

The spokesman said the Iraqi police ignored Unikom warnings to leave the area. One then opened the door of a car in which the Kuwaitis were sitting and the Iraqis fired three shots in the air. One of the Kuwaitis then drew a gun and shot at two of the Iraqis,

wounding one in the hand and hitting another in the chest. The two wounded men were taken to the Unikom headquarters in Basra, southern Iraq. The UN spokesman said the more seriously wounded Iraqi later died.

More than 800 unarmed UN observers have sustained a 24-hour watch over the 15km demilitarised zone straddling the Iraq-Kuwait border since the end of the Gulf war. UN officers said yesterday that there have been sporadic shootings, from both sides, over the border, but described Monday's incident as among the most serious since January, when teams of Iraqis made organised incursions into northern Kuwait in an attempt to retrieve military hardware left after the war.

However, the UN officials said the incident did not appear to signal rising tensions in the border area. Kuwait is nearing completion of a 3m-deep by 5m-wide trench along the length of its 207km border to prevent Iraqi incursions.

## Bhutto's brother tries to end exile

PAKISTANI police fired tear-gas at Karachi airport yesterday to disperse a crowd of thousands awaiting the return from exile of Mr Mr Bhutto, the younger brother of Mr Benazir Bhutto, prime minister. Reuter reports from Karachi.

Mr Bhutto is wanted in Pakistan in connection with terrorism charges. Aviation authorities had turned away the aircraft provided by the Syrian government to return Mr Bhutto to Pakistan after 18 years of self-imposed exile, his mother, Mrs Nusrat Bhutto said. Officials refused to comment.

"The special flight came to Karachi, circled once over the airport and when it made a second circle, authorities refused it permission to land," Mrs Bhutto senior told reporters.

She said the aircraft took Mr Bhutto to Sharjah, in the United Arab Emirates, where he would board a commercial flight for Karachi. At Karachi airport, police and paramilitary forces, fired into the air, sprayed tear-gas and baton-charged some of the 3,000 people on hand to greet the 39-year-old Mr Bhutto as they tried to break through a gate to the runway.

Police say Mr Bhutto, who had been living in Syria, would be arrested on arrival. He is wanted in Pakistan for allegedly leading an underground group, Al-Zulfikar, accused of bombings in several cities and of hijacking a Pakistani airliner to Kabul and Damascus in 1981 in which one man was killed.

He was elected in his absence to the Sind provincial assembly on October 9, and must take the oath before Sunday or forfeit his seat.

## Abiola supporter forced out in Nigeria

NIGERIA'S interim government moved closer to winning the backing of the country's national assembly this week when Mr Fyfe Ajayi, a leading opponent, was forced to stand down as speaker of the Senate, writes Paul Adams in Abuja.

The Senate, the upper house of a two-chamber national assembly, reconvened on Monday for the first time since President Ibrahim Babangida stepped down on August 26. The assembly remained in real combat but left day to day administration to an interim government headed by Chief Ernest Shonekan, who leads a civilian cabinet.

Mr Shonekan has promised fresh presidential elections in February, but there has been speculation he would extend his term if given backing for such a move by the assembly.

Mr Ajayi, a strong supporter of Chief Moshood Abiola, winner of the annulled presidential poll last June, can stand for re-election at tonight's session of the Senate, but the mood of the house appears to have been shifting towards support for Mr Shonekan.

Of the chamber's 91 members, 55 voted for a motion to elect new principal officers. The vote came at the end of two days of heated exchanges between supporters of the government and of Mr Abiola. The assembly is to work alongside the interim government of Mr Shonekan until an elected head of state is installed. Since re-convening, the Senate has been preoccupied with political infighting and has yet to consider the banning of the June presidential poll, validity of the interim government and its proposed agenda, including fresh elections in February.

# Hosokawa beating off the old guard

## William Dawkins on Japan PM's drive to rid electoral system of corruption

THE GRAND old men of Japanese politics are fighting to tone down the new government's plans to reform the scandal-prone political system. Their comfortable jobs are at stake.

Thanks to their efforts, prime minister Morihiro Hosokawa's radical plans to change the electoral system and curb political funding have been delayed. But they still look set to get through parliament, in one form or another, by his self-imposed deadline of the end of the year.

Mr Hosokawa might have to extend the current parliamentary session, due to end on December 15, by 10 days or so. But most people are betting that he will not have to resign, as he has implied he would do if he misses the deadline.

It is the only issue that holds together his unstable seven-party coalition, brought to power in an election in July with the LDP's defeat after 38 years in government, triggered by public disgust with its failure to enact political reform.

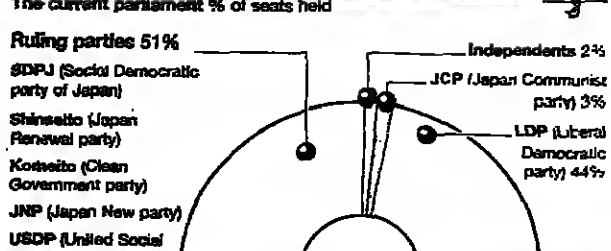
Moreover, more than 65 per cent of lower house members want reform, according to a recent poll. The big unanswered question is exactly what kind of reform?

Currently, the lower house of parliament is elected on a multi-seat constituency system, a consequence of which is to pit candidates of the same party against each other, to encourage politicians to use money and influence rather than policies to attract votes.

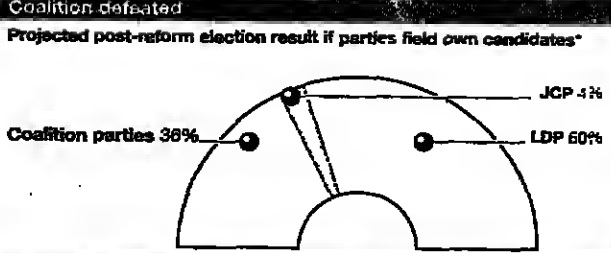
The proposals would create a 500-seat lower chamber, in place of the present 511 seats, of which 250 would be in single-seat constituencies and 250 chosen by proportional representation. Voters would cast two ballots. Corporate donations to individual politicians, an obvious

## Joint candidates may be key to coalition survival

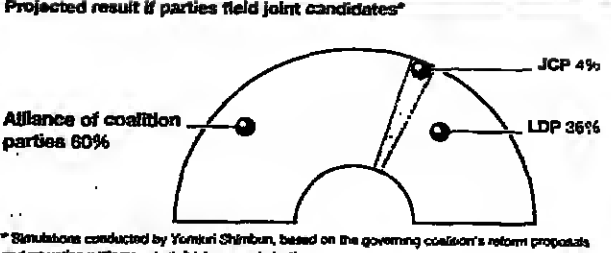
The current parliament 66 of seats held



Projected post-reform election result if parties field own candidates\*



Projected result if parties field joint candidates\*



\* Simulations conducted by Yumoto Shintaro, based on the governing coalition's reform proposals and on voting patterns in last July's general election.

source of corruption, would be banned. Companies would, however, be allowed to give cash to political parties. To ease the pain for individual politicians, there would be a

state subsidy of ¥41.4bn (\$258m) a year to parties to dole out to candidates.

Mr Hosokawa was hoping to get these plans through the lower house of parliament by Friday to ensure time for them to get through the upper house, where his coalition also has a majority, by the end of the session.

However, the coalition has accepted an opposition LDP demand to delay public hearings on the bills - a legal requirement for passage through parliament - until November 8 to 11.

Mr Hosokawa now hopes to get them through by the middle of this month, so that he can present the results to US President Bill Clinton, a keen advocate of Japanese political reform, when they meet in Seattle on November 19 at a summit of the Asia Pacific Economic Co-operation council.

The LDP's interest in delaying the bills appears to be to enforce as many amendments as possible by pushing Mr Hosokawa close to the deadline. It is a high-risk game.

If the LDP were to win the electorate to block reform again it would be the final disaster. The party would have to break up," says Mr Jeff Young, political analyst at Salomon Brothers Asia. The party's image is already being further damaged by allegations that it received funds from the scandal-ridden construction industry, in which public investigations have begun to circle around Mr Noboru Tanaka, a former LDP prime minister.

The LDP's capacity to carry out a rational strategy is limited, however, by its internal divisions.

Officially, the LDP wants to shift the balance towards single-seat constituencies, in which well-funded parties such as the LDP, which is still the biggest with 227 lower house seats, fare best.

It has tabled a counterplan for a 471-seat lower house, of 300 single-seat constituencies and 171 under proportional representation. Mr Hosokawa has indicated that he is prepared to compromise.

"Inevitably, Mr Hosokawa will have to water down the package to get it through parliament," says Mr Takashi Inoguchi, professor of politics at Tokyo University. The vested interests that will have to be satisfied are important because they provide an indication of the problems in store for the next stage.

Once those bills are passed, the parties will have to meet in committees to redraw Japan's electoral boundaries. They will have to decide how to split the large multi-seat constituencies into small single-seat constituencies and how to shift the disproportionate weight of the rural vote - which counts for roughly three times the urban vote - to the cities.

That process will take at least six months of behind-the-scenes power play. If, as seems likely, Mr Hosokawa is still in a job by then, he is expected to call an election under the new rules around next July, as soon as the new boundaries have been agreed.

The coalition's chance of winning an election after political reform rests on its ability to sink its differences and campaign on a single ticket.

Former LDP members now at the top of the coalition are doing their best to woo these

ex-colleagues to their camp.

The coalition is also divided.

Some members of the Social Democratic party, the largest coalition partner, are unhappy with single-seat constituencies, not because they share the LDP traditionalist's preference for the multi-seat system, under which the former Socialists lost half their seats in the July election, but because they feel they would do less badly under proportional representation.

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# Abrasive Giuliani takes on volatile New York

NEW Yorkers have elected a white former prosecutor who talks tough on crime as their first Republican mayor in a generation in the hope that he can improve what many perceive to be a declining quality of life in America's largest city.

But Mr. Giuliani, who defeated Mr. David Dinkins, the black, one-term Democratic mayor in Tuesday's election, will face formidable burdens - political, economic and fiscal - in pursuit of his pledge to put a shine back on the Big Apple.

Mr. Giuliani, the 49-year-old son of a bar owner in the borough of Brooklyn, won 51 per cent of the vote to Mr. Dinkins' 48 per cent, reversing the outcome of the previous election in 1989, when Mr. Dinkins won by a mere 2 per cent.

The voting pattern was very

similar to 1989, with Mr. Giuliani picking up some 75 per cent of the votes (who made up about half the voters), Mr. Dinkins taking virtually all the blacks (about 28 per cent of voters) and gaining around two-thirds of the Hispanic vote (around 13 per cent of voters).

The crucial difference from 1989 appears to have been the defection to Mr. Giuliani of enough educated white voters and Hispanics to give the Republican candidate the edge. And those voters were particularly concerned about the quality-of-life issue.

New York is slowly emerging from a four-year recession which has wiped out nearly 400,000 jobs. It has a high (though recently falling) crime rate, and its constant struggle to balance its budget in recent years has left it with a rotting infrastructure.

Race relations are always liable to

sudden flare-ups, though they are less tense than in many other American cities, thanks to the heterogeneous nature of New York's population.

Mr. Giuliani, the first Republican mayor since Mr. John Lindsay, who ran City Hall from 1966 to 1973, comes to this volatile set of problems with a slate of new, if sometimes vague, policies, and a mix of advantages and drawbacks.

Perhaps the greatest question mark facing his administration is whether he has the personality to build the broad coalition necessary to run New York smoothly.

Educated at New York University's law school, Mr. Giuliani sprang to prominence in the 1980s as a tough crime fighter. He served for a time as number three in President Reagan's Justice Department before becoming US Attorney for the Southern District

of New York, where he vigorously pursued the Mafia and Wall Street insider traders.

## Martin Dickson on the city's new mayor

In these jobs and in his pursuit of City Hall in 1989, he came across as a distinctly puritanical, impatient man, with a short temper and a lust for publicity.

During this autumn's campaign he has presented a more mellow, less wooden appearance, but he still lacks the charisma of the handsome, aristocratic Mr. Lindsay, which helped him govern a city whose elected officials remain overwhelming Democratic.

However, Mr. Mitchell Moss, who heads the Urban Research Center at New York University, argues that Mr. Giuliani will have the advantage of a co-operative Democratic City Council, not least because voters on Tuesday also displayed their dissatisfaction with the political establishment by approving a measure limiting elected officials to eight years in office.

In another sign of unhappiness, the overwhelmingly white inhabitants of the borough of Staten Island voted to take the first step towards secession from the rest of New York City.

Mr. Giuliani also has to show he has the character to reach out beyond his white electoral backers to the black community, which is deeply distrustful of him and will be smarting from the defeat of Mr. Dinkins, the first black mayor of a major US city to lose his first re-

election bid. Mr. Dinkins, a kindly, gentlemanly figure, failed partly because of poor campaign strategy and partly because of the reputation he gained in his term for very mixed administrative abilities. Nevertheless, he did manage to ease a great deal of racial tension in the city. The fear is that Mr. Giuliani's abrasive personality could exacerbate it.

Mr. Giuliani's campaign advisers were almost entirely white and male, though in his victory speech early yesterday he promised that "nobody - no ethnic, religious or racial group - will escape my care."

On economic, fiscal and business matters Mr. Giuliani could prove much more effective than Mr. Dinkins, who is widely faulted for failing during his term to do more to bring the city's vast \$35bn budget under control.

The new mayor has promised to reform the city's tax structure and bring a "managerial revolution to City Hall" - a reference to the new fashion among US municipalities for the privatisation of services or incentives to improve worker productivity. He has promised to cut the city's payroll by 34,000, but has not said how he will do this.

Budget cuts will certainly be necessary - and quickly, for when he takes office on January 1 Mr. Giuliani is expected to inherit a shortfall of several hundred million dollars in this year's budget and gaps of some \$20m in each of the next three years.

As he starts to hack, every community will be watching, ready to denounce him for the merest hint of ethnic or political bias. For Mr. Giuliani, no less than Mr. Dinkins, the great American melting pot promises to remain very hot.

## Democrats lose the one that counted

IF THERE was one constant message emanating from the White House and from national Democratic party strategists in the weeks before the off-year elections on Tuesday it was that the only truly representative contest was for the governorship of New Jersey.

New York and Virginia were special cases, they all said, while mayoral races and other public policy issues on ballots across the country merely proved that all politics are local. Their contention was based on the confidence, reflected in opinion polls, that New Jersey Governor James Florio, the Democratic incumbent, would win and thereby demonstrate that pursuing tough, tax-raising policies did not necessarily translate into defeat.

Governor Florio lost. He did not go down by much to Christine Todd Whitman, the Republican challenger, but his defeat, combined with the victories of Rudolph Giuliani in New York and George Allen in Virginia, meant Republicans swept Democrats out of office in the three most widely watched and partisan confrontations.

More than that, voters in Maine, in New York City and in two New York counties showed their displeasure with incumbents by approving limitations on the number of years or terms their elected representatives may serve in office. In New Jersey a proposition subjecting politicians to recall also won approval.

Term limits is a popular cause among Republicans, who remain the minority party in most of the country. So is law and order, which again was vindicated in Washington state, where an initiative mandating life imprisonment for felons convicted three times was approved, and in Texas, which backed a \$1bn bond issue to build more prisons.

Not everything on the conservative/Republican wish list was granted. In California, Proposition 13 was defeated by 70-30 per cent. It would have issued state vouchers, worth \$2,600 a child, for parents to use at schools, state or private, of their choice. It had been vigorously opposed by Mr. Pete Wilson, the Republican governor, and President Bill Clinton.

## Jurek Martin on the lessons of regional US elections

In Washington state, one drastic anti-tax initiative to roll back most of a recent \$1.3bn tax increase went down by 56-44 per cent. The fate of a more modest alternative, tying future tax increases to rises in state personal income, hung in the balance yesterday.

The significance of these Republican gains can be over-emphasised. Both off-year elections and those that take place in the middle of a presidential term, more often than not go against the "in" party, though the latter elections, encompassing all the House, a third of the Senate and a majority of governorships, are much the more important.

Nevertheless, it is possible that incumbents facing elections next year will construe the results on Tuesday as a warning not to buck local opinion if it does not like presidential or national party policies. This may make it harder, for example, for some Democratic congressmen, especially those who voted in favour of the tax increases in the budget this summer, to come off the fence and support the North American Free Trade Agreement later this month.

In New Jersey and in Virginia it was apparent that the quality of respective campaigns mattered a lot. Mrs. Whitman's critical decision was to shake-up her staff operation last month and vest full authority in Mr. Ed Rollins, the veteran Republican consultant. He cast her image in a far more positive light and induced her to attack more directly Mr. Florio, who, under the guidance of Mr. James Carville, President Clinton's election mastermind of last year, had turned a big deficit into a measurable lead with two weeks to go.

In Virginia, Ms. Mary Sue Terry, a former Democratic state attorney general, ran what is universally agreed to have been a truly terrible and mostly negative campaign against Mr. Allen, converting a 30-point summer lead into an 18-point loss.

In a significant sub-plot of the campaign, Mr. Michael Harris, the Republican, lost his bid to become lieutenant governor by 54-46 per cent. A pure product of the religious far right, he was sufficiently encouraged by his showing to announce that he would run again.

This was immediately taken as evidence that ultra-conservatives are thinking of splitting away from the national Republican party three years from now. If Lt. Col. Oliver North, of Iran-Contra notoriety, wins the Senate race in Virginia next year, now a distinct possibility, the state will become the centre of this movement.

At least Mrs. Whitman's victory gave the lie to one of the more popular pre-election theories - that the advance of women to elected offices so evident last year was going to come to a juddering halt. Mrs. Whitman seems to have run at least as well among New Jersey's male voters as among its women.



Winning smile: Mayor Giuliani revels in the headlines yesterday

## Mixed message from mayors of new generation

By George Graham in Washington

TUESDAY'S elections have brought in a new generation of mayors in many of the largest US cities and mixed up some of the traditional maxims about racial and ethnic divisions in urban politics.

Although only a handful of incumbents lost at the polls, in cities like Detroit, Boston and Minneapolis the voting brought down the curtain on an era with the retirement of long-time mayors.

In Detroit, Mr. Dennis Archer, a former judge running on a low-key platform of good management, defeated Ms. Sharon McMillin, the incumbent, and an outsider defeated Ms. Carrie Saxon Perry, mayor of Hartford, Connecticut, for the last three terms, other incumbents were re-elected.

Mr. Bob Lanier in Houston, Mr. Norm Rice in Seattle and Mr. Mike White in Cleveland all proved that incumbency was not a fatal handicap in this year in which many voters seemed ready for a change.

Mr. Dinkins' defeat, following the retirement earlier this year of Mayor Tom Bradley of Los Angeles, means for the first time in two decades, none of the five largest cities in the US will have a black mayor.

The messages sent by this election about the importance of race and ethnicity in urban politics are, however, blurred. Ms. Belton in Minneapolis and Mr. Bill Johnson in Rochester proved, like Mr. Rice in Seattle before them, that black candidates can win in cities with mostly white populations.

Similarly, Mr. Menino proved you no longer had to be Irish-American to win in Boston, while in Tuesday's run-off in Miami there is a chance a non-Cuban, Mr. Steve Clark, may win.

## A \$7m curtain call for Degas' dancers

By Anthony Thornton

A 14 x 19 inch pastel by Degas of two young dancers taking a curtain call sold for \$7m (\$4.7m) at Christie's in New York on Tuesday night. The price, almost double the pre-sale estimate, helped to confirm the slow improvement in the international art market.

Christie's auction of 60 lots brought in \$51.37m, (\$34.7m) only 15 of the lots on offer failed to find a buyer. But among the casualties was the second most important painting in the sale, "Maleria" by Renoir, depicting his wife breast-feeding their son. It was bought in at \$4.8m.

An encouraging feature of the auction was the breadth of buyer interest for works fresh

to the market. The Monet went to a private European collector while the second highest price, \$3.96m, was paid by an American collector for a Picasso view of Dieppe.

Most major lots sold on or near estimates. Mondrian's minimalist "Composition avec bleu, rouge and jaune" made \$3.5m; a rare landscape by Kandinsky, showing him moving towards abstraction, sold for \$2.75m; and a typical work by the Fauve artist Derain of boats at the port of Collioure realised \$2.6m.

The auction, the most important this winter by Christie's, suggests serious collectors are being tempted by fresh work, carrying reasonable reserves. The speculative frenzy of the late 1980s is quite absent.

## Specialist MBA for Financial Services

WORLD-FAMOUS Manchester Business School and the University of Wales have now successfully established their new distance-learning MBA degree for financial specialists through a joint company called the Institute for Financial Management.

Already there are 400-plus registrations and the first Accelerated Programme members are due to graduate early in 1994.

This unique MBA degree course has been specially designed for people in all financial sectors such as accountancy, banking, insurance, building societies and administration.

The MBA course can be taken through an Accelerated Programme of 18 months by managers who already have professional qualifications. It is also available over 30 months to graduates and/or managers with relevant work experience.

The course is flexible, being both modular and portable. Fees include textbooks and study material. It has a high level of faculty support and staff contact and offers specialist options.

There is a network of study support centres around the world which enable students to take the degree in their own region.

A Corporate Programme has just been launched for finance sector companies to combine in-house development with a customised and highly relevant degree. Further details: Institute for Financial Management, University of Wales, Bangor, Gwynedd LL57 2DW. Tel: 0248 363278 Fax: 0248 370769

## California fires continue path of destruction

By Louise Kehne in San Francisco

WILDFIRES continued to rage out of control in Malibu and other parts of southern California yesterday, after a night of spectacular destruction. Walls of flames roared out of the Santa Monica mountains and down canyons toward the Pacific ocean, consuming at least 300 homes overnight.

In Malibu, a city of 15,000 that winds along 27 miles of beachfront and includes some of the most expensive homes in the region, hillside mansions burst into flames, palm trees became giant torches and cars exploded from the heat.

The Malibu fire was the biggest of four new blazes that broke out on Tuesday, only 13 days after 13 huge firestorms swept through the region, destroying an estimated 780 homes and other buildings and charring 180,000 acres from Los Angeles to the Mexican border. In addition to the Malibu fire, blazes were reported to the east and south in Riverside County, San Bernardino County and San Diego County.

Driven by 50mph Santa Ana winds, the fires raged through the coastal hills and canyons of Malibu on Tuesday night, thwarting the efforts of more than 3,000 firefighters and hundreds of volunteers who attacked the flames from the ground and air.

Authorities estimated that damages would run into hundreds of millions of dollars.

Among the victims of yesterday's Malibu blaze were several Hollywood celebrities, including Sean Penn and Bruce Willis, whose homes were destroyed.

Some 2,000 people were forced to evacuate the area, with many more leaving voluntarily.

An evacuation was ordered for the exclusive "Malibu Colony", home to many celebrities, including Larry Hagman, Johnny Carson, Barbra Streisand, Steven Spielberg, Dustin Hoffman and Sylvester Stallone. "The fire is making progress. I can't say that we are," Mr. Brian Gordan, Los Angeles Fire Chief, said yesterday morning. Some 30,000 acres have already been consumed, he estimated.

New flare-ups threatened Pepperdine University yesterday morning and parts of the Pacific Coast Highway, which winds along the coast, were on fire, preventing firetrucks from reaching areas in danger.

At least 10 people were injured, including British screenwriter and director Duncan Gibbins, who received severe burns over most of his body when his home above Malibu was engulfed in flames as he was trying to rescue his cat.

Water-dropping helicopters were ordered to fight the Malibu blaze for the first time at night.

Officials said yesterday morning that the situation remained extremely volatile.

## Packwood appeal rebuffed

Senate votes to obtain diaries, writes Jurek Martin

SENATOR Robert Packwood's attempts to limit Senate investigation into his private affairs was firmly rebuffed by his colleagues on Tuesday night after two days of painful, and sometimes emotional, floor debate.

The full Senate voted 94-6 to back the request of its own ethics committee for an unlimited subpoena to obtain Mr. Packwood's private diaries.

Earlier it rejected by 77-23 an amendment by Senator Alan Simpson, the Republican from Wyoming, that would have made only "relevant" materials available to the committee, leaving the balance in the custody of an independent judge.

Mr. Packwood's lawyer intimidated yesterday that legal challenges to the Senate action might still be taken. Never before has the chamber taken

such sweeping action against one of its own members. Mr. Packwood was already under investigation for charges of sexually harassing more than 25 women over a 20-year period.

The committee has also said it may have evidence of additional offences by the Republican senator from Oregon.

In the debate one leading senator went so far as to advise Mr. Packwood to resign. Mr. Robert Byrd, the Democrat from West Virginia and a staunch defender of the integrity of the Senate, put into words what many of his colleagues are known to be thinking.

"None of us is pure or without flaw," Senator Byrd declared, "but when those flaws damage the institution of the Senate it is time to have the grace to go."

The Simpson compromise amendment, which Mr. Packwood said earlier he could accept, was supported by Senator Robert Dole, though the Republican leader also voted in favour of upholding the ethics committee's request.

On that vote, one Democrat joined five Republicans, including Senator Packwood, in opposing the blanket subpoena. He was Senator Dennis DeConcini from Arizona, himself censured by the ethics committee for his involvement with Charles Keating, the savings and loan executive.

All seven women in the Senate voted for the subpoena, though Mrs. Nancy Kassebaum, the Kansas Republican, disagreed with Senator Patty Murray, the Washington Democrat, that sexual misconduct was the most important issue at stake.

## Fujimori scrapes home in Peru poll

By Sally Bowen in Lima

POPULAR approval on Sunday for Peru's new constitution in an apparently clean poll puts the country back on the democratic track President Alberto Fujimori abandoned on April 5 last year.

It gives him the backing he needs to continue with his sweeping programme of economic reform, and will permit him to stand for a second presidential term in 1995. However the government squeezed home by an uncomfortably narrow margin. Counting has

yet to be completed, but it is clear earlier predictions of a 70-30 per cent government win were wishful thinking and the margin of victory is likely to end up at around 5 points.

The 200-article constitution proved a challenging topic. Mr. Fujimori claims Peruvians have given an example to Latin America of popular democracy but the vast majority of voters had little idea of the issues.

A yes vote, at least in a view encouraged by Mr. Fujimori, demonstrated approval of the government's three-year track

record, while a no hinted at an "unhealthy absence of patriotism." Yet Mr. Fujimori proved incapable of transferring his own popular approval rating - currently around 70 per cent, at least in the metropolitan area - to the constitutional cause.

The result underlines the historical divide between Lima and the provinces. Voters in the capital, where a third of the population is now concentrated, were almost 2-1 in favour of the new constitution. But more than half of Peru's 25 departments rejected it.

Opposition groups, which include the still unpopular traditional political parties and the debilitated trade unions, immediately claimed the constitution lacked legitimacy.

They point to 30 per cent abstentions, similar to the level in last November's constituent congress elections which the major parties boycotted in protest at Mr. Fujimori's seizure of increased powers.

The business community, however, breathed a sigh of relief. Peru's 12th constitution enshrines the free market poli-

cies Mr. Fujimori has followed since his election in 1990. It sharply reduces the role of the state, encourages competition and introduces modern work practices.

But even if Sunday's vote demonstrates broad support for Mr. Fujimori the government would do well to take the substantial protest vote seriously. Many Peruvians want decentralisation and an efficient public administration to promote development and jobs rather than a strong head of state who brings them occasional gifts.



## Brussels to vote on proposals to speed unfair trade investigations

## Brittan wants larger anti-dumping unit

By Andrew Hill in Brussels

THE European Community's trade commissioner, Sir Leon Brittan, is pressing for the Commission's anti-dumping unit to be doubled in size to help improve the speed and efficiency of investigations into unfair trade.

Proposals for increasing staff, shortening inquiry deadlines and restructuring the anti-dumping department will be voted on today by his fellow commissioners. However, trade lawyers in Brussels fear they will not improve the transparency of anti-dumping investigations and will make it more difficult for companies accused

of dumping to respond to Commission findings.

"Even if they publish decisions which are twice as long as they are today, the real reasons for the decisions will always remain to some extent secret," said one lawyer.

Commission officials hope plans for improving efficiency will please all member states, even though there is deadlock over the more sensitive question of whether to give Brussels more power to push through anti-dumping duties.

They also believe the improvements will reassure those southern member states reluctant to abolish national import quotas unless the EC

sharpens its trade weapons.

Dumping occurs when products are exported to the EC at unfairly low prices compared with the price in the home market. The Commission can only act if these cheap imports are causing "material injury" to the EC industry.

Sir Leon could face opposition from fellow commissioners today because staff numbers are under extreme pressure. A plea for more personnel was issued yesterday in the Commission report on anti-dumping activities for 1992, the first to appear under Sir Leon's stewardship. The report - much more detailed than usual - argues that the Community

anti-dumping services are

"critically understaffed" compared with those in the US, Canada or Australia. The number of professionals handling cases at the Commission dropped from 94 to 89 last year, making a total of some 130 including support staff. Officials estimate that the US operates its anti-dumping policy with some 600 professionals.

Sir Leon is proposing that all anti-dumping investigations be concluded within 15 months, and that provisional duties should be imposed, if necessary, within nine months of the start of an inquiry. At present complex investigations can take well over 18 months.

He is also planning to strengthen the involvement of consumer organisations in inquiries, and split the anti-dumping department into units investigating dumping and injury, as in the US.

According to the 1992 report there were 158 anti-dumping duties in force at the end of last year, of which nearly 30 per cent were against state trading countries such as China. However, measures against Japan still represented 70 per cent of the total trade value of all measures in force. Since 1988 the chemicals and electronics sectors have been the most heavily implicated in anti-dumping actions.

## Japanese support for lifting of rice ban

By William Dawkins in Tokyo

NEARLY two-thirds of the Japanese public thinks Japan either will or must end its ban on imported rice, according to a newspaper survey.

Among the justifications given for an open market were more choice for consumers, cheaper rice and an improved international image.

This throws doubt on government claims that it would be politically difficult to replace the import ban with tariffs, a condition for concluding the Uruguay Round of world trade talks.

Government officials say they will feel under no pressure to decide until the EC and the US settle their differences over farm subsidies, another big barrier to a Gatt deal. Mr Morihiro Hosokawa, the prime minister, is thought likely to leave a final decision until close to the December 15 deadline for concluding the talks.

Japan's ability to sustain self-sufficiency in rice has thrown into question in the past few weeks by the worst harvest since the war, which has obliged it to import rice for the first time in nine years.

## France plans crackdown on counterfeiting

By David Buchanan and Alice Rawsthorn in Paris

FRANCE'S government yesterday took steps to crack down on the booming trade in counterfeit goods, many of them fakes of French fashion designs or luxury products.

It has proposed a new law, virtually assured of parliamentary approval, which would increase sharply the penalties for manufacture, sale or import of counterfeits and give customs and police officers scope to take quicker action.

The maximum fine for counterfeiting would be increased from FF20,000 (£2,300) to FF500,000 (£57,000), with a possible two years in jail. Companies convicted of producing fakes could have their factories closed indefinitely and be fined FF2.5m. Customs officers and the police would also be given stronger powers to seize suspect goods.

According to the French government, counterfeit products account for some 5 per cent of world trade. Turkey, North Africa and, increasingly, Southeast Asia are the main sources, but some originate in

other European Community countries, such as Italy.

An EC regulation to crack down on the counterfeit trade within the Community has been drafted by Mrs Christiane Scrivener, France's commissioner responsible for customs matters. It is due to come into force early next year.

The French luxury goods industry claims that 70 per cent of such faked products are based on their designs, for instance: Hermès scarves and Chanel T-shirts. Mr Christian Blanckaert, chairman designate of Comité Colbert, the industry body, told a Paris conference yesterday that counterfeiting was one of the industry's main problems.

He also signalled that the French luxury industry was coming out of recession. He estimated that the combined sales of Comité Colbert member companies would total FF30.5bn (£3.48bn) this year, against FF30bn in 1992. The industry has benefited from strong growth in Asia - now accounting for 26 per cent of sales against 18 per cent in 1988 - and the fledgling recovery in the US.

## Andes pipeline plan reaches base camp

David Pilling on a step forward for a 700-mile gas link between Argentina and Chile

ARGENTINA has more gas than it knows what to do with. Chile is crying out for cheap, clean fuel. What could be better than building a pipeline between the neighbouring countries?

That in a nutshell, is the logic behind a \$1.65bn (£1.11bn) project to transport natural gas across the Andes through a 700-mile pipeline linking the Neuquén fields in Argentina with industries and homes in Chile's principal cities.

For years it has been just talk. But now, given Chile's rapidly growing economy, signs of greater stability in Argentina and a new-found determination to improve bilateral relations, that talk could become reality.

A significant step forward was taken last week with the

signing of a framework agreement between the two governments. The project, which would cost a total \$600m and have a combined capacity of 700MW, would consume 45 per cent of the gas.

Mr Rudolf Aranda, general manager of Gas de Chile, the project developer, hopes the generators can be built in tandem with the pipeline and distribution network. He believes the foreign companies that showed interest in those project elements may wish to play a role in the construction of generators.

Serious obstacles remain. Toughest will be securing financing for a project which, consortium officials say, will involve six years of negative cash-flows and a 20-year pay-back period. At least \$700m will have to be invested before a therm of gas is sold.

Banks may balk at stoking money into a long-term project with such obvious political risk. Although Chile won an investment grade rating last year, Argentina has only recently witnessed the return of economic stability.

Relations between the countries, although recently much improved, have often been tense and a resumption of tension could impact the smooth supply of gas.

Mr Chris Dutton, international vice-president at Teneo, insists that such eventualities have been thoroughly evaluated. "We are very comfortable with the political elements," he says.

Mr Aranda says: "We will be looking for the whole mixture of financing sources - multilateral institutions, export credit agencies, and commercial loans. It is likely to be 40 per cent equity and 60 per cent loans."

The project depends on finding markets, a task to be undertaken by British Gas. In particular it will be necessary to persuade Chilean industry to convert from other types of fuel. Furthermore, plans to extend the network through to 2015 assumes the continued growth of Chile's economy.

There is also the question of forming a legal framework for the supply and sale of gas. Chile's regulations were framed in 1981. Given the pace with which much legislation crawls through congress and the potential for political manipulation, agreement on a

suitable regulatory framework could be a lengthy process.

Executives admit there are many impediments. However, Mr Richard Souchard, a project development manager at British Gas, says: "We wouldn't be interested if we didn't think the scheme had a fairly good chance of coming to fruition."

The trump card being played

by Gas de Chile is environmental. The consortium claims that converting thousands of industries and up to 600,000 homes to gas will help significantly in cleaning up the air in Santiago, fast becoming Latin America's most polluted city.

Mr Aranda admits there are many hurdles to overcome. "Chile is far away and it is a

relatively small economy. But all the macro-economic elements are in place and we have a stability lacking in other potential markets such as Vietnam, India, Brazil and China," he says.

"Here it is possible to predict steady, long-term growth. That makes this part of the world very interesting."



naming of Houston-based Teneo Gas and British Gas as the technical operators of the transmission and distribution elements respectively. The two companies had beaten off opposition from other multinationals, including Enron, Eosch and Utilicorp of the US, BHP Petroleum of Australia, and Canada's Novacoip International and Transcanada Pipelines.

British Gas and Teneo, which earlier this year formed a strategic alliance for Latin American projects, are prepared to take out a significant equity stake, pending results of a year-long feasibility study. Construction is due to begin in late 1994, with a target completion date of 1997.

The pipeline is expected to cost \$600m, and it is estimated that the distribution network, perhaps up to 5,000 miles long, will cost \$450m.

A vital piece of the jigsaw still needs to be put in place.

## NEWS IN BRIEF

## Renault in link with Czech group

FRENCH motor manufacturer Renault is entering a joint venture with Karosa, the Czech maker of buses and fire engines. Patrick Blum reports from Vienna. Renault will invest about FF200m (\$35m) in the venture - based at Karosa's main factory at Vysoké Myto, eastern Bohemia - over the next five years. Its 34 per cent stake will rise to 51 per cent later.

## Lucas technology for China

Lucas Industries, the UK automotive to aerospace group, has signed its first technology transfer deal for the production of motor components in China. Its first stage envisages the production of 200,000 vehicle brake systems a year. John Griffiths writes from London.

The agreement covers the provision of product and manufacturing technology to a new joint venture company, Hwa Heng, set up between Lucas's licensee in Taiwan and the Wuhu Auto Parts factory in Anhui province. Lucas has no stake in the venture.

## Singapore's enduring appeal

US companies operating in Singapore are worried about rising costs and chronic labour shortages but still intend to make substantial investments there, according to a US survey. Kieran Cooke writes from Kuala Lumpur.

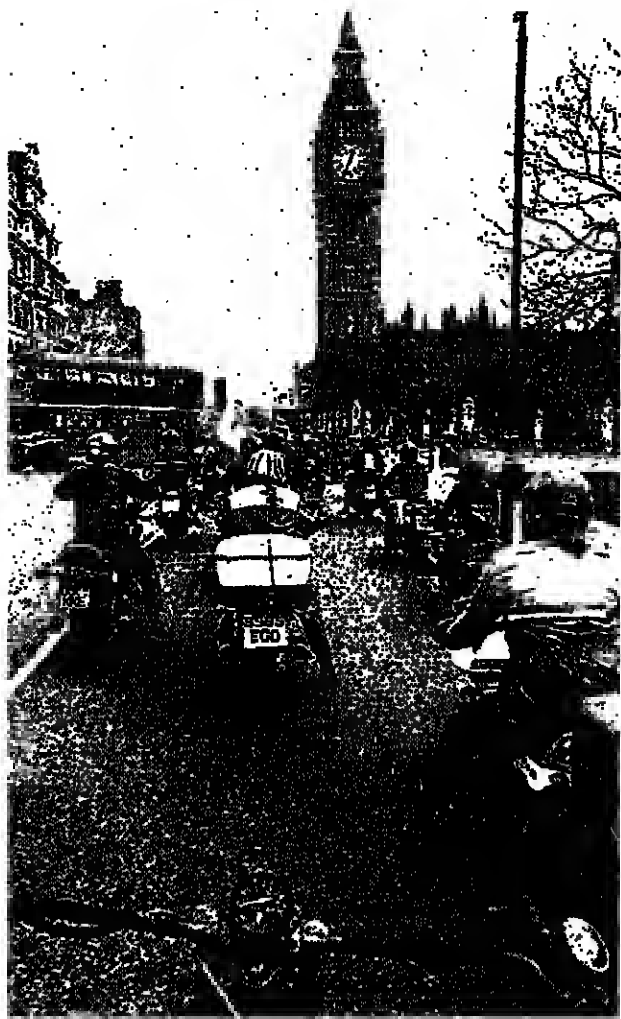
About 900 US companies have cumulative investments in Singapore of nearly \$19bn, said the US embassy survey.

## US tobacco ruling attacked

US legislation requiring the country's cigarette manufacturers to use at least 75 per cent US-grown tobacco attacked yesterday by Mr Martin Broughton, chief executive of BAT Industries, the UK tobacco and financial services group. Philip Rawsthorne writes in London. It was "a flagrant breach of Gatt rules" he said. Because of the move, BAT had closed its tobacco leaf operations in Panama, which exported to the US, at a cost of \$7m in lost profits.

Going  
into the red  
once a week is  
good business





Motorcyclists at Westminster yesterday celebrated the European Parliament's decision to overturn EC proposals to limit motorcycle engine sizes. The Council of Ministers is expected to reconsider the proposal, from which Britain was originally exempt.

## Lords defeat deals blow to rail privatisation

By Kevin Brown,  
Political Correspondent

THE UK government's plans to privatise the state rail network appeared in disarray last night after an unexpected series of defeats in the House of Lords, the upper chamber of the British parliament.

On the crucial issue of franchises to run British Rail routes, the Lords voted three times to loosen restrictions placed by the government on BR's ability to bid for routes against private sector companies.

The effect is to resuscitate the spirit of a similar earlier Lords amendment, overturned by the House of Commons on Tuesday, which ministers had dismissed as an attempt to wreck the bill.

The defeats left government business managers facing the choice of capitulating to the Lords, or bringing the bill back to the Commons for a further bruising debate.

After a couple of hours' discussion, Mr Tony Newton, the government's chief business manager, told MPs that the scheduled business in the Com-

mons would be interrupted to make way for an immediate attempt to rewrite the bill.

The announcement provoked anger from the opposition Labour party, including a protest by Mrs Margaret Beckett, deputy Labour leader, that she had been given only 30 seconds' notice.

The exchanges undermined the air of panic which now surrounds the bill, which has had a torrid passage through both houses and is widely opposed by rail passengers.

The government, however, was vir-

tually assured of a Commons majority for its attempt to reverse the Lords' defeat.

The House of Lords is likely to back down rather than defy the government again, in spite of the strength of feeling during yesterday's debate.

Lord Peyton, a former Conservative transport secretary, said last night that a further government defeat in the Lords would raise the prospect of "a serious constitutional clash" with the Commons.

Under the parliament acts, peers can defy the government as many

times as they wish, even if amendments are repeatedly reversed in the Commons.

In theory, the bill could pass backwards and forwards until both houses agree on the precise wording, although the Lords have rarely used their full powers out of deference to the elected house.

The government must act quickly, however, because the bill will fall unless agreement is reached before the Queen's Speech opens the next session of parliament on November 15.

## Labour targets £10bn tax abuse 'loopholes'

By Roland Rudd

TAX ABUSES and loopholes have grown over the last 14 years and are costing the government billions of pounds in lost revenues, Mr Gordon Brown, the opposition Labour party's chief finance spokesman, said yesterday.

He proposed a series of measures to save up to £10bn over two years, including:

- A reform of inheritance tax closing down tax relief on executive share options; abolishing the business expansion scheme and ending tax relief on private medical insurance.

- A shake up of corporation tax, including an end to allowances for sales of companies with excess management expenses.

- Ending Britain's position as a tax haven. Mr Brown stopped short of recommending the end of sovereign immunity but said Labour would deal with "abuses" allowing companies to trade under the umbrella of national governments.

Mr Brown said: "We must end the abuse of non-domicile status, unacceptable definitions of residence and the continuing misuse of offshore funds."

In addition Labour is proposing a windfall levy on the profits of the privatised utilities; early and prompt collection of value added tax and a clampdown on VAT loopholes.

Ms Harriet Harman, another member of the party's finance policy team, called on the chancellor to use his Budget to abolish tax relief for executive share options which she called a "tax perk for the richest".

The government, however, rejected Mr Brown's charges. Financial Secretary to the Treasury Mr Stephen Dorrell said the figures were "pure Alice in Wonderland".

## Government faces revolt over VAT on fuel plan

By Roland Rudd

MR KENNETH Clarke, the chancellor of the exchequer, was yesterday warned that he could face a rebellion by dissenting Tory MPs if he limits the compensation available to low income groups paying Value Added Tax (VAT) on domestic fuel.

In a meeting last night with three senior officers of the powerful 1922 Committee of Conservative backbenchers Mr Clarke was told of "deep concern" among Tory MPs. Some of them yesterday said the Treasury's plans to limit the

compensation to less than £500m would be "politically disastrous" and warned of a revolt.

Dame Jill Knight, vice chairman of the 1922 Committee of Tory backbenchers, said: "The elderly and those who need heat but cannot afford it must be compensated."

Many Tories want the government to announce a package which will help pensioners who are not on income support - the so-called "nearly poor".

These are typically those with modest incomes and savings - many of whom are Tory voters.

Mr Nicholas Winterton, MP for Macclesfield, said the government "has a got a death wish" by thinking of restricting the fuel compensation package.

Mr Andrew Bowden, Tory co-chairman of the all-party parliamentary group for pensioners, said: "The key group are the nearly poor, the 2.5m pensioners who have only a small income over the income support level."

"They must be helped. If the government does not come forward with positive proposals, there will be serious trouble on the government backbenches."

## Pension reforms could be years off

By Norma Cohen  
and James Blitt

MR PETER Lilley, the social security secretary, hinted yesterday that it could be some years before the government reformed pension legislation.

Speaking in the House of Commons, Mr Lilley said he will shortly be issuing some discussion papers on pension reform as the basis for consultation following publication of a 1,000-page report on the industry by the Goode Committee, the government's advisory committee on pensions.

He resisted pressure from MPs, however, to bring forward legislation in the next parliamentary session, saying it would be impossible to do so before the 1994/95 session at the earliest.

"We have to make sure that what we do makes the system better and safer and does not make the mistakes that ill-thought legislation might do," Mr Lilley said.

Mr Donald Dewar, the opposition spokesman on social security, welcomed the broad contents of the Goode report, but warned that Labour would want to radicalise its recommendations.

He said the recommendation that one-third of trustees should be appointed by pension fund members was insufficient. He called for legislation to introduce requirements to increase pensions in line with inflation, a proposal which the Goode committee debated at length but ultimately rejected.

Mr Lilley also signalled that he is prepared to consider alterations to the government's rules for schemes which contract out of the State Earnings Related Pension Scheme and provide the alternative Guaranteed Minimum Pension.

## Dealer banned over loss of £1.7m

By Norma Cohen,  
Investments Correspondent

A DEALER at Kleinwort Benson who incurred heavy personal losses at a financial bookmaker and subsequently lost £1.7m of his firm's money has been banned from the securities business by the City's investment watchdog.

This is the first time the self-regulatory Securities and Futures Authority has taken such action.

The arbitrator dealer, Mr Kevin Reed Morgan, had repeatedly taken on far more risk than he was allowed when employed by two separate investment banks between July 1991 and March 1992, the SFA said. Arbitrage dealers try to exploit the differences between different markets and financial instruments.

Mr Morgan began increasing his risk after incurring heavy losses in 1990 on his personal account at a firm of financial bookmakers. Financial bookmakers allow individuals to bet, on stock market index, such as the FT-SE 100, or on a bond contract in the same way bets are laid on sporting events.

The SFA said Mr Morgan had not been permanently barred from the industry but "in the medium term there's no hope of him obtaining authorisation".

"The SFA takes a particularly serious view of Mr Morgan's conduct in view of the risk to which he exposed his firm and has reminded SFA members that they should be aware of any personal account dealing that their employees undertake with other brokers," the SFA said.

Last night Kleinwort Benson said it had reviewed its procedures following the incident.

## Warrant granted to arrest Farias

By Stephen Fidler,  
Latin America Editor

A BRITISH judge has granted a warrant for the arrest of Mr Paulo Cesar Farias, the man allegedly at the centre of a corrupt multi-million dollar fund raising scheme for the disgraced Brazilian president Fernando Collor.

Brazilian Embassy officials in London said yesterday that a warrant was issued after the British government agreed to start extradition proceedings of Mr Farias to Brazil, although the UK has no formal extradition treaty.

Embassy officials said the Brazilian government was now ready, following the move against Mr Farias, to negotiate a broader extradition treaty with Britain. It is believed to be the first time the UK's special extradition arrangements have been used with any country, and is certainly the first occasion involving Brazil.

The proceedings will go ahead under the 1989 Extradition Act, which allows for special arrangements for countries

with no extradition treaty. The warrant was requested by the Crown Prosecution Service in London and issued on Monday, but Scotland Yard said yesterday no arrest had been made.

The embassy said that the case was not linked with that of Ronald Biggs, 64, who escaped from Wandsworth prison in 1965 after being convicted of the August 1963 "great train robbery". He now lives with his son in Rio de Janeiro.

Mr Farias, known in Brazil as PC, was the treasurer of Collor's presidential campaign, and was later said to be the central figure in an alleged network of corruption involving the president, who was forced to quit last year. Mr Farias fled Brazil on July 19.

Brazilian newspapers have reported that Mr Farias was granted an 18-month UK visa after he proved financial solvency.

In London, meanwhile, calls for his extradition were voiced yesterday by 60 Brazilian demonstrators outside the headquarters Home Office.

# Front cover.



# Back cover.



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## London and Dublin in fresh appeal on Ulster

By David Owen

THE British and Irish governments yesterday launched a fresh appeal to Northern Ireland's constitutional political parties to resume talks on the province's future, but made clear that round-table talks were still some way off.

But as they made their call, Rev Ian Paisley, leader of the hardline Democratic Unionist party, unexpectedly delivered a letter protesting against holding yesterday's Anglo-Irish intergovernmental conference session in Belfast.

Sir Patrick and Mr Spring expressed optimism that the two governments would press ahead quickly towards a new constitutional settlement.

They made clear that dialogue would initially take the form of bilateral discussions with British ministers. Sir Pat-

rick warned that an immediate push for resumption of round table discussions with all parties could be counter-productive.

One possible target would be to have an agreement in place before Mr Major and Mr Reynolds meet at the UK-Ireland summit in Dublin within six weeks.

Sir Patrick said the six-point plan put forward by Mr Spring last week would be "central to the ideas that the two governments must bring to a conclusion between themselves." The plan showed "very encouraging evidence of the thinking of the Irish government."

Sir Patrick also spoke of the "unbreakable meshing" between the UK-Irish talks and what the political parties in the province were "prepared to compromise over" regarding the internal government of Northern Ireland.

There was "no question at the moment" of having reached the stage where Dublin's constitutional claim to jurisdiction over Northern Ireland was replaced or where the Anglo-Irish agreement was "going to be repealed".

London and Dublin flatly rejected the Hume-Adams peace initiative because it attached conditions to a cessation of violence by the IRA, according to high-ranking British officials.

On the eve of a Downing Street meeting between Mr John Hume, the SDLP leader, with Mr John Major, the officials said the "process" agreed by Mr Hume with Mr Gerry Adams, the Sinn Féin leader, linked an end of IRA terrorism with a place at the negotiating table for Sinn Féin.

That link - implying that violence was being rewarded - could not be accepted.



Ulster Secretary Sir Patrick Mayhew and Irish foreign minister Dick Spring in Belfast yesterday

## Defence official 'took backhanders'

A FORMER top Ministry of Defence official was found guilty yesterday of taking £1.5m in "backhanders" from overseas arms companies in what is thought to be Britain's biggest corruption case.

Mr Gordon Foxley, 68, who retired as director of the MoD's armaments procurement department in 1984, was allowed £100,000 bail until sentencing on December 10.

The law provides for a possible maximum of seven years jail on each of the 12 charges of corruption he was convicted of committing between December 1979 and August 1984.

But because they occurred before amending legislation in 1988, he can only be sentenced on the basis of an earlier two-year maximum.

The court heard that Mr Foxley's £20,000-a-year job involved awarding multi-million pound contracts for supplies of mortar bomb fuses, rockets, tracer rounds and ammunition for the armed services, principally the Army.

He fed most of these to three companies, Fiat subsidiary Fratelli Borzetti, of Milan, Italy; Gebroeder Jungs, based in Schramberg, Germany; and A S Ranfoss, which has offices in Gjøvik, Norway.

In return they paid him huge secret "backhanders" or commissions of up to 5 per cent of the value of the deals.

Had they been UK companies, they would have been in the dock with Foxley.

Some of the money was paid to him months after he retired, as deals he had agreed while still at his post bore fruit.

Britain's ordnance production facilities lacked the necessary capacity at the time, forcing the MoD to rely on foreign companies, the court heard.

The jury was told how the large amounts, \$400,000 in one case, did not go to Foxley directly, but were first sent to companies he either owned or ran.

One was in Basle, Switzerland, another in Geneva and the third he ran from home.

## MoD slow to reduce civilian staff

By David White, Defence Correspondent

THE NUMBER of UK-based civilians working for the Ministry of Defence has been reduced by only 6,000 compared with almost 85,000 uniformed posts lost in the armed forces since the government's Options for Change reforms in 1990.

This became clear when the Commons defence committee questioned senior MoD officials yesterday on the progress made on personnel cuts.

The committee plans to publish its evidence before the Budget on November 30, which will include further cuts in defence

expenditure. Sir Nicholas Bonsor, the committee's Conservative chairman, said that reducing the number of middle-ranking civil servants could provide "substantial savings". He did not see how the MoD could come near to reaching its target of a 20 per cent reduction in civilian numbers by 1995-96, similar to the cuts being made in the forces.

This was in spite of assurances from Mr David Heyhoe, an assistant under-secretary at the MoD, that the job reduction programme was "on course" and could go beyond the 20 per cent target.

Officials said the MoD's civilian numbers, excluding locally-hired overseas

employees, had shrunk from 141,000 in 1990 to 128,000. But most of this reduction came from the transfer of almost 7,000 Atomic Weapons Establishment employees to the private sector in April this year. Sir Nicholas said this could not count as a cut.

Senior uniformed ranks were also being reduced more slowly than expected, he said.

Officials said the number of top army posts, from lieutenant-general upwards, had remained unchanged at 16, but would drop "in the near future". Across the services there were 40 officer posts for equivalent ranks compared with 43 in 1990.

## Tory MPs warn on military budget

By David White and James Blitz

THE UK government faces continuing pressure from dissident Tory MPs over defence cuts, despite the Treasury's agreement to scale back the spending reductions planned for the next financial year.

The settlement between the Treasury and the Ministry of Defence is thought to involve cuts of more than £1bn over

three years but with the biggest impact on spending plans for 1996/97.

The £23.75bn provision for defence expenditure next year is expected to be reduced by 1 per cent or less after Mr Malcolm Rifkind, the defence secretary, succeeded in fighting off more drastic Treasury demands.

Although the front-line strength of the armed forces appears to have been safe-

guarded, some MPs are strongly opposed to the cancellation of projects such as new ships to replace the two amphibious assault vessels for the Royal Marines.

They are also concerned that the Treasury should allow new defence contracts to come through, in particular for the Challenger tank and the EH101 helicopter.

On Monday, several conservative MPs who are concerned

about defence cuts met Mr Kenneth Clarke, the chancellor, to indicate their concerns about the impact that the unified budget might have on defence spending.

The chancellor did not reveal any details of the defence sector budget at the meeting, but some of the MPs were concerned that he did not give any firm guarantees for the long-term future of any military sector.

## Britain in brief



## Recovery falters in house market

The recovery in the housing market is faltering, according to figures for mortgage lending released yesterday by the Bank of England.

The news will increase pressure on Mr Kenneth Clarke, chancellor of the exchequer, not to restrict further the scope or availability of mortgage interest relief in the Budget, because of its likely impact on the housing market.

Figures for the third quarter of the year show that the number and value of new loans approved fell around 10 per cent compared with the previous three months.

Some £13.5bn in 257,000 new loans was approved in the third quarter, compared with £15bn in 281,000 new loans from April through to the end of June.

than through higher prices. In a speech to finance directors in London, he said more than half the recent rise in manufacturing output prices has come from higher margins, measured as the difference between input and output prices. He said Britain has a realistic prospect, "if we are wise", of achieving non-inflationary growth "that can be sustained through the rest of the decade". But he warned that businesses had to play a part in this.

## Rising domestic demand likely

Recent economic indicators point to rising domestic demand with low inflationary pressures, the Treasury reported yesterday. But a drop in the Central Statistical Office's longer leading index of economic activity, also announced yesterday, could signal a downturn in output about a year from now.

With Mr Kenneth Clarke's first Budget less than four weeks away, the Treasury chose yesterday to portray UK economic trends in a moderately upbeat manner. In particular it said that overall pressure on prices remained subdued while world inflationary pressures remained weak.

## Motor revival under threat

The current revival of the UK motor industry is being threatened by small component suppliers failing to improve quality and productivity standards, a Society of Motor Manufacturers and Traders conference will be warned today.

Prof Dan Jones, professor of motor industry management at Cardiff Business School, will tell the conference that although the biggest UK component groups have adopted Japanese-style working practices, problems among smaller suppliers are weakening the production process.

## Legal fee plan attacked

Government plans to allow lawyers to take cases on a US-style "no win, no fee" basis came under attack yesterday from the influential committee appointed to advise the Lord Chancellor on the regulation of the legal profession.

Conditional fees, under which solicitors charge nothing if they lose but can charge up to double their normal fee if they win, are seen by the Lord Chancellor as a partial solution to the problem of reduced access to justice resulting from cuts in the legal aid budget.

## Inflation call to business

Mr Eddie George, the governor of the Bank of England, last night called on businesses to play their part in curbing inflation by generating higher profits through increased output and capacity use, rather

## Building society cuts 700 jobs

The Alliance & Leicester, the UK's fourth largest building society, is to close its administrative office in Hove, southern England, with the loss of 700 local jobs over four years.

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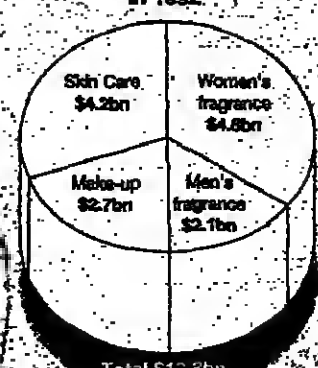
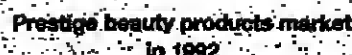


# Thrown off the scent

## Chris Tighe

The problem facing YSL and Elf-Sanofi, the French pharmaceuticals company that acquired it earlier this year, is aggravated by the sheer expense of developing a new perfume. It costs roughly \$50m to publicize the worldwide launch of a new fragrance. The risk of failure is frighteningly high. The Fragrance Foundation in New York estimates that 75 new scents have been introduced in the US this year and industry statistics suggest that only 15 will recover their launch costs

**Source:** Industry estimates.



within three years

YSL went to great lengths to ensure that Champagne's launch was as smooth as possible. It started preparing for the launch in 1991. The choice of name was always regarded as an important part of the process given that naming, like every other aspect of fragrance marketing, has become increasingly complex in recent years. YSL in the late 1970s bought the rights to the Ophum name for \$200 from another perfumer. Chisel 10 years later paid more than \$500,000 to an astute Paris magazine editor who had registered the

**B**ut the timing of the Champagne case could scarcely have been worse for YSL. The earliest possible date for its appeal against last week's ruling is January. In the meantime it must comply with the court's instruction that it drops the name Champagne in France within 30 days. This means that even if YSL wins on appeal it will have had to use a new name or withdraw Champagne from the French market during the pre-Christmas season. This usually accounts for half the year's perfume sales.

in the meantime YSL faces the threat of two other lawsuits from

YSL would then have to decide whether it was different selling a fragrance than the different ones in different countries. Guadagnoli says in the 1950s when Shalimar became a bestseller despite using the name N°30 in the UK, because another 'Shalimar' was already on sale. But the perfume market has changed dramatically since the 1950s. YSL operates in a world of globe-trotting customers. The rationale for global marketing in fragrances is that when a Manhattan businesswoman visits Paris, she can spot the new scent she saw advertised in *American Vogue* as soon as she walks into the duty-free shop at Charles de Gaulle airport.

YSL and Elf-Sanofi have not yet decided what to do. "We're going ahead with the appeal and we hope we'll win," said Elf-Sanofi. "But if we lose we're going to have to address some very difficult decisions."

Burger King has moved into Japan, writes **Emiko Terazono**

Samuel Yung, managing director of Burger King Asia Pacific in Singapore, says the company could not enter Japan earlier due to the lack of the right partner. Yung hired consultants Coopers & Lybrand to come up with a strategy for Japan. They eventually concluded that the market had an opening for the American flame-broiled Whopper burger. But Japan's high real-estate costs meant Burger King needed a business partner with extensive real-estate holdings.

**exist.**  
In spite of this scepticism, average daily sales for the first store totalled ¥1m during the initial few weeks of opening. The figure, one of the highest sales per square foot among Barger King's worldwide network, was achieved with the help of Tsutsumi eating a Whopper in front of television news crews on the opening day.

The International is the leading magazine for the investor with a global perspective. Offshore Financial Review is required reading for their advisers. Together they are pleased to announce the names of the companies and funds that win awards in the inaugural International/OFR fund performance awards.

FUND TYPE	OVER ONE YEAR	OVER THREE YEARS
Currency Funds	NORTH STAR INTL. CURRENCY YEN DENOMINATED	NORTH STAR INTL. CURRENCY YEN DENOMINATED
Currency Funds (Managed)	PGC LEVERAGED CROSS CURRENCY & BOND	GURNESS FLEUNT ACC MANAGED CURRENCY
Futures and Options	OPTIMA FUTURES NAV	GAM UT INVESTMENTS
Far East and Hong Kong	JARDINE FLEMING MALAYSIA	THORNTON HONG KONG GATEWAY
Japan	JARDINE FLEMING JAPAN WARRANT	MORGAN GRENFELL JAPAN SMALLER COMPANIES
North American	TSS OFFSHORE INV PAN AMERICAN	TSS OFFSHORE INV PAN AMERICAN
International Bonds	MORGAN GRENFELL LATIN AMERICAN BOND	GURNESS FLIGHT G3 YEN BOND
International Managed	CREDIT LYONNAIS FUND PORTFOLIO	EMITAGE SEIZ FUND G3
International Equity Specialist	GAM EMERGING MARKETS MULTIFUND	PUTNAM EMERGING INFO SCI
International Equity	GAM WORLDWIDE	TSS OFFSHORE INVESTMENT INTERNATIONAL EQUITY
Sterling Fixed Interest	GAM STERLING SPEC BOND INC	BANKLEATS STERLING BOND
UK Equity	TSS OFFSHORE INVESTMENT UK EQUITY	TSS OFFSHORE INVESTMENT UK EQUITY
European	WARDLEY EUROPEAN WARRANTS	TSS OFFSHORE INVESTMENT EUROPEAN
<b>BEST FUNDS OVERALL</b>		
1.	JARDINE FLEMING MALAYSIA	TSS OFFSHORE INVESTMENT PAN AMERICAN
2.	CREDIT LYONNAIS SINGAPORE GROWTH	THORNTON HONG KONG GATEWAY
3.	GAM SINGAPORE MALAYSIA	SOMERDERS ASIA HONG KONG
<b>BEST FUND MANAGEMENT GROUPS</b>		
1.	BEA ASSOCIATES	PERPETUAL UNIT TRUST MANAGEMENT (JERSEY) LTD
2.	APPEALANT UT TRUST MANAGEMENT (JERSEY) LTD	IB INVESTMENT SERVICES
3.	PREMIUM LIFE ASSURANCE	TSS FUND MANAGEMENT (CHANNEL ISLANDS) LTD

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Those replying by November 30th will receive the December issue in which the fund awards are detailed in full.

## OFFSHORE

### FINANCIAL REVIEW

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**Job Status**

☐ 1 Proprietor/Self-Employed/Partner

☐ 2 Employed

☐ 3 Consultant

☐ 4 Retired

☐ 5 Student/Unemployed

**Nature of Business**

☐ 1 Financial Services

☐ 2 Construction

☐ 3 Other Services

☐ 4 Transport/Travel/Communications

☐ 5 Distribution/Hotel/Catering

☐ 6 Extraction (Oil/minerals, etc)

☐ 7 Manufacturing/Engineering

☐ 99 Other (Please state \_\_\_\_\_)

**Age**

☐ 1 Under 25

☐ 2 25-34

☐ 3 25-44  
☐ 4 45-54  
☐ 5 55-64  
☐ 6 65+

Types of investment currently held

☐ 1 Domestic Equities  
☐ 2 International Equities  
☐ 3 Offshore Deposits  
☐ 4 Property  
☐ 5 Bonds  
☐ 6 Precious Metals/Gems  
☐ 7 Unit Trusts/Mutual Funds  
☐ 8 Other International Investments  
☐ 9 None

Which of the following do you have?

☐ 1 Credit Card (e.g. Visa)  
☐ 2 Gold Card  
☐ 3 Cheque Card (e.g. Amex)

**The FT Business Travel Survey arrives November 9.**

The FT Business Travel Survey will be published with the Financial Times on Tuesday. It will include a look at the hotel of the future, examine the implications of the Channel Tunnel and advise you how to avoid being mugged abroad.

It will even tell you how to fly first class for the price of economy.

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# Have you got 2 minutes?

You haven't heard that  
for a long time. Listen,  
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## Financial data on time

Tenfore, a Danish-Swiss company, has begun marketing a satellite-based, real-time information system which gives companies access to the same financial information as the banks carrying out their financial transactions - and at a price which should make the system attractive.

The customer, no longer has to find himself in the position of having less information at his disposal than the bank which is disposing of his money," says Henrik Hvidtfeldt, managing director of Tenfore's Danish development company.

Two factors have enabled Tenfore to launch its system - the falling price of transmitting data via satellites and the development of PC screen software which gives Tenfore's customers exactly the same news and financial information as banks and brokers, but at a much lower price than the systems used by the banks, says Hvidtfeldt.

The service, using a Windows-based system, provides six news services (not including Reuters or AP-Dow Jones), real-time data on 30 stock, derivatives and commodity markets (including the London Stock Exchange and Seaq International) and foreign exchange quotes from international banks.

The service is available only in Europe, but Hvidtfeldt says he expects to launch it in North America and Asia next year. Tenfore's software enables a company to filter only the information relevant to the firm and provides calculations for exactly how prices at any time will affect its profit margins.

The cost to subscribers includes a Dkr19,000 (\$1,900) investment in a satellite dish and modem link to a personal computer, while the monthly subscription cost, including the fee for using the software, varies from Dkr3,000 to Dkr7,000 depending on which services are required.

Hvidtfeldt says Tenfore has about 150 subscribers in Denmark and as many again in the rest of Europe, where it has sales representatives in 13 countries.

Tenfore was developed in Denmark, where the database facilities and satellite transmissions take place, but the company is incorporated in Switzerland and backed by Danish and international investors.

Hilary Barnes

Volcanoes, which spit ash, ooze lava and create darkness in the middle of the day, are impressive displays of nature's restlessness. They are also life-threatening: more than 23,500 people died from eruptions during the 1980s. They can cause millions of dollars in property damage and bring industrial activity to a grinding halt.

New technology to improve the accuracy of eruption forecasts is helping to minimise the devastation volcanoes can cause. After the Nevado del Ruiz eruption killed nearly 25,000 people in Colombia in 1986, the US government began taking volcanic forecasting seriously. The US Geological Survey, which tracks volcanic activity around the world, was infused with new funds to create a detailed database and update its techniques.

The new technology will not only help to save thousands of lives, it may also save millions of dollars. According to the Aviation Safety Journal, more than 80 aircraft have been damaged by drifting clouds of volcanic ash since 1980. The repair of a 747 aircraft damaged during the 1989 eruption from Redoubt Volcano in Alaska cost \$80m (\$33m).

The continuous eruption of Hawaii's Kilauea since 1983 has caused more than \$5m in damage, much of it to properties and crops affected by the acid-bearing volcanic pollutants. Mount St Helens in Washington state wiped out thousands of acres of productive timberland.

Losses from interrupted economic activity are harder to quantify, but may be more devastating. Redoubt's eruption, for instance, caused a valuable oil storage terminal to close for several weeks and halted most flights into and out of the region.

Tourism often takes the hardest hit of all. When US geologists issued eruption warnings in California's Long Valley in 1982, the resort area turned into a ghost town almost overnight. And the tourist-based economy of Guadeloupe neared collapse in 1976 after an international group of volcanologists forecast the eruption of La Soufriere.

The Long Valley and Guadeloupe incidents are tinged with bitterness since the predicted disasters never happened. Guadeloupe evacuated 72,000 people and tourists stayed away. Yet the only crisis that hit the Caribbean island was in the economic sphere.

Scientists blame these fiascos on insufficient data. "The identification of fresh volcanic glass in the erupted ash - which seemed to indicate that the volcano was about to erupt violently - was a mistake," wrote Richard Fiske, a volcanologist at the Smithsonian

Improved forecasting techniques are making it easier to predict eruptions, writes Victoria Griffith

## Taming the volcanoes



Hawaii's Kilauea volcano is considered "ideal" because it is seldom life-threatening

institution, about the incident.

Volcanologists today use more sophisticated techniques. Detailed databases are maintained on all life-threatening volcanoes around the world. High-frequency monitors to measure debris flows are now in place. Earthquakes - often the first warning of volcanic activity - are tracked with increasing accuracy. And changes in gas composition, electrical conductivity and other clues are carefully monitored.

As a result, volcanic activity can

now be forecast with substantial accuracy, often pinpointing the eruption to within days or even hours of its actual occurrence.

When Redoubt erupted in Alaska in 1989 and Pinatubo blew its top in the Philippines in 1991, volcanologists provided important information, not only about the timing of the events, but also about the direction of debris flows and ash blooms - vast clouds formed when tiny pieces of lava or rock are thrown into the air.

"We used information on the ash blooms [during the Redoubt eruption] to know which areas to stay away from, and which were safe to fly through," says Greg Witter, a spokesman for Alaska Air.

Companies can also take advantage of eruption forecasts to move valuable equipment out of the way, and evacuate employees from the area.

"Businesses with sensitive electronics may want to shut down their air filtration systems during an ash bloom," says Steven Branley, public information scientist with the US Geological Survey. Since ash blooms often drift for many miles, they can wreak havoc on property well beyond the life-threatening zone of eruption.

Volcanology can also be used for future planning. After much of its timber was wiped out during the eruption of Mount St Helens, the paper group Weyerhaeuser consulted experts to decide which areas should be replanted and which avoided as too high-risk.

Not all businesses welcome the interference of volcanologists, however. In Long Valley developers have refused to heed warnings in land use planning. "We've had mixed results, because we can't force people to follow our advice," says Daniel Miller, a geologist with the US Geological Survey. "We've had a very negative and unpleasant response from businesses in Long Valley. They just don't believe that they might be in a risk zone and insist on building things anywhere they please."

Developers in the region complain that the volcanologists' warnings have resulted in higher insurance rates, limited areas of potential development and stoked the fears of tourists.

The relationship between active volcanoes and the communities that surround them is not always confrontational. Kilauea has become a leading Hawaiian tourist attraction. It is considered the ideal volcano. Because the eruption is continuous, it is seldom life-threatening and ash blooms are rare. Instead, the volcano throws up a scenic display of colourful lava, which attracts hikers by day and creates a natural light show at night.

Scientists have gleaned much useful information from the decade-long eruption. "The resorts look to us to provide information on best viewing times, which they pass on to the tourists," says David Clague, scientist in charge of the Hawaii Volcano Observatory at Kilauea. "It's generally pretty tame as far as volcano eruptions go, but it's spectacular at night because it's iridescent."

## Focus on Xerox's new film star

Andrew Fisher reports on a new silver-free imaging process

When Xerox Corporation announced its new technology at the start of this week to replace silver compounds in film for the graphic arts market, the precious metals market caught a bad case of the jitters.

Yesterday, these had not entirely disappeared, although it had become clear that the breakthrough would affect only a small part of the film market. Xerox's VerdeFilm is a digital imaging film, which needs strong light and equipment that would be too bulky for ordinary cameras. The US company says it has no plans to introduce its new film to the consumer market.

Even so, any suggestion that silver could be displaced, however marginally, from its highest market is bound to set the industry wondering what could come next. Last year, 186m troy ounces of the precious metal were used in photography, 31 per cent of total industrial demand; of this, commercial photography accounted for \$2m ounces. Until the Xerox product, developed by its research centre in Canada, is on the market, potential users will not be able to assess its qualities fully. They will be waiting to see if the resolution of VerdeFilm, which dispenses with silver halide and the need for chemical processing in the making of commercial printing plates, is sharp enough for their needs.

Xerox, which highlights the cost and environmental advantages of VerdeFilm, is acting fast to bring its new dry processing film into production. Its researchers only discovered the process six months ago. Having studied its applications, says Edward Ernst, general manager of VerdePrint Technologies, the Xerox unit marketing the film, "we moved very quickly to get to this point".

After further operational testing, he expects VerdeFilm to be in production next summer. To speed its introduction, Xerox has contracted Rexham Custom, a US subsidiary of Britain's Bowater, to make VerdeFilm.

The new film's images are created with a thin layer of minute particles of selenium (a by-product of copper refining and used in photocopying) encased in polymer, these are charged, exposed and developed. The process, using heat, causes the selenium molecules to move deeper into the polymer and create an image. It is, says Xerox, "no more complicated than feeding paper into a fax machine".

Existing image-setters and scanners will have to be modified. Ernst says this would cost around \$500 (\$331) for machines whose price runs into thousands of dollars. Agfa, part of the Bayer chemical group of Germany, will talk with Xerox about modifications of its image-setters to take VerdeFilm.

As a provider of film and equipment for the \$1.8m a year graphic arts market, Agfa is both a competitor and potential partner for Xerox.

However, Mike Austin, group marketing manager of Agfa UK, says of VerdeFilm, "we don't see this [VerdeFilm] as a major threat". This is because it will be aimed at the top end of the sector for high-quality uses such as advertising.

Xerox has prepared its ground by lining up partners. As well as Agfa, it plans talks with Fuji Photo, a much smaller player in this market. The two companies are already linked through Fuji Xerox in photocopyers and Ernst says talks have been held about possible co-operation on VerdeFilm - "it's still an open discussion".

No comment was available from Eastman Kodak, a big film supplier in the graphic arts field. Also in this market is Du Pont chemicals. Among image-setting equipment manufacturers with which Xerox has developed alliances are Quebecor Printing of Canada, Business Link Communications of the US and Ultrapart of Germany's Linotype-Hell.

Ernst believes printers using VerdeFilm could make significant savings in their operating cost. Much of this would come from the absence of chemicals.

## PEOPLE

### Wilson at the cutting edge

More corporate moves afoot in Ipswich. Ransomes, the somewhat troubled lawnmower company, has a new chief executive: Peter Wilson, a 43-year-old ex-BTR man now with the utility Northumbrian Water as head of environmental management.

Bob Dodsworth, the present chief executive, was already due to leave at the end of this year. Wilson's background in engineering and pollution control is not obviously relevant to a business whose main activity is cutting the world's grass. But in such a specialised area, experience is doubtless hard to come by.

According to Wilson, his BTR background sounds more immediately relevant. "I guess they were looking for someone



who was used to running a tight business," he says. "It's a question of tight financial controls and building on market positions. Ransomes has a leading position in some key markets, but they haven't always been as successful in

getting their products into some markets, such as the US."

If he is new to the world of lawnmowers, he is not alone. The recently appointed chairman, John Clement, made his name as head of the dairy firm Unigate. His short-stay predecessor, John Kerridge, was previously chairman of the drugs group Fisons. The announcement of Wilson's appointment is accompanied by the reminder that Ransomes is still looking for a couple of non-executive directors. In the context of a company whose shareholders' funds have more than halved in the past four years, this is a reminder that the investing institutions will be watching Wilson's progress with a critical eye.

### Nader Sultan to run Kuwait Petroleum

Nader Sultan, one of Kuwait's most experienced international oilmen, is to leave the chairmanship of the London-based Kuwait Petroleum International to become deputy chairman of Kuwait Petroleum Corporation, which manages the Gulf state's oil exploration, production, refining and transportation.

KPI, which is an affiliate of KPC, runs Kuwait's network of 98 petrol stations and the state's European refining operations.

Sultan's appointment will make him the most senior oil executive in Kuwait. It follows last month's resignation of Abdulrazak Mulla Hussein, who left the deputy chairman-

ship of KPC over differences in oil policy with Ali al-Baghlil, Kuwait's oil minister.

KPC has used Hussein's departure to expand the board, appointing also Sultan Hussein, previously an assistant under-secretary at the oil ministry and a familiar member of Kuwait's Opec delegations, and one of the most senior women in the oil industry, as managing director of KPC administration, finance and foreign relations.

Suleiman al-Omani will also join the KPC board from the oil ministry. Ali al-Mousa, deputy governor of Kuwait's central bank, and Farouk al-Nouri, from the foreign ministry, will add to the expanded board.

### Another title for Derek Bonham



Derek Bonham, chief executive of Hanson, acquired another title yesterday, when he was made deputy chairman, a rank that has not existed at the Anglo-American conglomerate since Gordon White, now Lord White, who is chairman of the US arm, left for America in the early 1970s.

At the same time, David Clarke, deputy chairman and coo of the North American arm Hanson Industries, has been made a vice chairman of the group, alongside Martin Tay-

lor. Derek Roeling, the other vice chairman, is stepping down from that position and will retire in May 1994.

Since the position of deputy chairman is senior to vice chairman in the Hanson hierarchy, yesterday's announcement simply underscores Bonham's seniority. Lord Hanson plans to retire in 1997, but a large part of the succession question had already been answered when Bonham, now 50, was made chief executive of the group in April 1982.



Canary Wharf, the company which owns the Docklands property development of the same name, has appointed Patrick Garner as an executive director. Garner (above right), who was born in New Zealand, joins Canary Wharf from the property subsidiary of Trafalgar House, where he was business development director. He was previously chairman and chief executive of Chase Property Holdings.

Last Friday Canary Wharf emerged from administration under UK insolvency legislation. Garner's fellow directors are Sir Peter Levene, the former head of procurement at the MoD, who is chairman and chief executive, and Gerald Rothman (above left), who is the only director to survive from the period before Olympia & York Canary Wharf - as it was formerly known - went into administration last year.

Canary Wharf is now in the process of trying to recruit non-executive directors. It is owned by Sylvester Investments, in turn owned by a group of banks which provided loans for the development.

Richard Payne, a former land director of Costain Homes UK, has been appointed development director of BELLWINCH HOMES.

David Stones has been appointed regional director of the London office of MANSELL; he moves from the Birmingham office.

Jim Lawless took over as managing director of BUILDING MANAGEMENT South & West on October 1, the day that the company, a joint venture formed by Amec and Pell Frischmann, came into formal existence, having been part of the Property Services Agency. Lawless was formerly director of operations and deputy chief of the PSA in Bristol; the previous and Stephen Todd retired on September 30.

Rod Perles, former md of Widney Enclosures, has been appointed md of Wadkin, part of BM GROUP.

Carveth Moore, formerly finance systems and distribution director of Allied Maples, part of Asda, has been appointed finance director of WIMPEY Homes Worldwide.

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NEW HORIZONS IN FLIGHT



Cinema/Nigel Andrews

# Misogynist on the rampage

Mike Leigh's *Naked* is so politically incorrect that it risks being trampled to death by outraged ideologues. Greens will be shocked by its morbid relish for urban decay and global despair. Feminists will be appalled at the hero-misogynist Johnny (David Thewlis) rapes, rants and chauvinistically philosophises. And film purists - do we count them as PC? - will think "This is not a movie, it is a Jeremiad with changing backdrops."

At Cannes the film won two prizes, for best director and best actor (Thewlis). But let us not take that as a quality guarantee. It may just mean that Europeans fall for it as they fall for any UK movie, from the latest Leach to Jarman's *The Last of England*, that depicts Britain as a doomed island inhabited by losers, villains or madmen.

In reality *Naked* is itself maddening: part good, part bad, part ugly. Our hero Johnny, brilliantly played by Thewlis, is a Leigh special: a gutter Hamlet, awash in downbeat soliloquising and offbeat mannerisms, all the way from the snuffly cough that punctuates his sentences to his habit of spinning giant think-aloud arse at the drop of a triviality. "How did you get here?" he is asked at one point; whereupon he delivers a thumbnail history of human evolution.

We first meet him date-raping a girl in a Manchester alley and are soon watching him throw his virility around down South. He has dropped in on the London flat of girlfriend Louise (Lesley Sharp) where the new prey is dimwitted ditz-mata Sophie (Katrin Cartledge);

a sort of Dalston Vampire with pinched vowels and tighter-pitched black clothing. "Is there an instruction manual for this?" asks Johnny, attempting to unbutton the unbuttonable after Louise has gone out to leave the coital coast clear.

So far, so typical. This is the Doctor Leigh we know from *High Hopes* and *Life Is Sweet*:

**NAKED (18)**  
Mike Leigh  
**DAVE (12)**  
Ivan Reitman  
**THE REAL McCoy (12)**  
Russell Mulcahy  
**LONDON FILM FESTIVAL**

the man who lays his specimen proles on the examining table and solemnly, minutely probes their minds and manners. But *Naked* then moves off in a new, alarming direction. Abandoning individual patients for a general medical inquiry, Leigh tracks all over London pushing his stethoscope at every cardboard everyman he can find in Cardboard City and environs. He seems to be searching for the dark soul of London, or perhaps of the world.

There is the young Scottish down-and-out shouting for his lost girlfriend. There is the woman Johnny rapes up - he is still our escort-guide - after glimpsing her dancing in a window. And there is the middle-aged office nightwatchman (Peter Wright), furious and Hancockian, with whom Johnny

strikes up an all-night chat about life, death and the Book of Revelations. Oh good heavens, and we almost forgot Jeremy (Greg Crutwell). He is the snooty yuppie in a parallel story, who first beats up a waitress and then moves in on That Flat to menace poor Sophie with a stuffed lizard.

Mike Leigh is a wise old lizard himself. He probably knows that people secretly like the political incorrectness of his plays and films, whether sexist or classist. More usually it is the latter the sacred proletariat cooed with its own obtuseness, and those who try to escape from the proletariat impaled on their pretensions. Whatever the satirical agenda, in Leigh's best work there has been an enlivening struggle between the director's dictatorial comic spirit and the fight-back spontaneity of the improvisation-developed characters.

In *Naked* the characters seem to have been allowed little or no autonomy at all. They are pawns in a Great Misereable Plot. Those who are not villains are victims. Those who are not DIY philosophers like Johnny, or like Leigh's Nietzsche-with-a-floofax Jeremy, are hardscrabble like Sophie or Louise. Put more bluntly, those who are not men - the bio-deterministic thesis almost seems to amount to this - are women.

*Naked* has a loose, free-form daring in its structure that one would love to say marks an advance in Leigh's work. But in the viewing it seems less like an advance, more like a walk off a tall cliff into a chasm of glib misanthropic and misogynistic generalities. For once the PC crowd (we

hate to say it) may be right.

Kevin Kline is multiplied by two in *Dave*, causing us to wonder what marvels or monsters lie in wait if Hollywood gets serious about genetic replication. The interesting thing about this comedy of Presidential imposture - the only interesting thing - is the way it straws living duplications of the famous all through its story.

Not just Kline, who plays both stroke-stricken outgoing President and the goodhearted bumpkin who takes his place, first to placate the media, later for real. (The plot is *The Prisoner of Zenda* meets *Mr Smith Goes To Washington*). But also walking, talking and smirking through in small cameo roles are Arnold Schwarzenegger, Oliver Stone and a dozen real-life American politicians and newsmen: possibly real, possibly (as I suspect) made in test-tubes.

Certainly the film is made in one. Director Ivan (Twins) Reitman and writer Gary (Big) Ross begin by heating some funny satire over a low burner. Then just when the substance begins to fix they pour in a whole lot of schmaltz concerning Kline's growing passion for Kline's first lady, Sigourney Weaver. This pair is determined to save children's homes, cut out corruption on Capitol Hill and generally bore us to death with social-political platitudes.

What did Reitman and Ross, bending over their tube, want the film to do? Just to change colour? It does, from bluish wit to sentimental puce. What we had hoped for, vainly, was a few sharp crackles leading to a climactic explosion.



David Thewlis in Mike Leigh's 'Naked'

*The Real McCoy* is a heist thriller with similar pace and wit problems. Hi-tech burglar Kim Basinger is fresh from a six-year jail sentence, and do we mean fresh. Evidently they have a beauty salon and state-of-art hairdresser at the Athens Correctional Facility in Georgia. Looking a million dollars, Miss B comes out to steal \$18 million more. She is helped by boyfriend Val Kilmer and hindered by evil former criminal pal Terence Stamp (plus Southern accent). But she is not helped by Russell Mulcahy's direction, which proceeds at the pace of a lobotomised snail even when hell and high boom are meant to be breaking out during the theft itself.

The London Film Festival is back, starting today. Has it really been a year since London's South Bank was last covered in a seething, palpating mass of international celluloid? Ah, but my new year resolution for 1993 was not to be rude about the size and unwieldiness of this year's LFF, however tempting. Enough to say that there are over 200 films on show, and those are just the features.

Among entries I have seen, I can commend Atom Egoyan's *Calendar*, brilliantly blending a mock-travelogue with a tale of unravelling romance; Rolf De Heer's Venice Grand Jury Prize winner *Bad Boy Bobby*, a bizarre growing-up tale from

Australia mixing sex, religion and comedy of (bad) manners; Tian Zhuangzhuang's touching and majestic *The Blue Kite*, a banned-in-China tale of life in Peking under Chairman Mao; and Maria Luisa Bernberg's *We Don't Want To Talk About It*, featuring magic realism, Marcello Mastroianni and sly comic insights into small-town Argentina.

Among films I know, I also scratch my head and wonder why the likes of Alain Cavalier's *Libera Me*, Bertrand Blier's *L.2.3 Sun* and Assi Dayan's *Life According To Agla* - groan-inducers at earlier European festivals - have been selected for the LFF. But I said I would not be rude about the event's gargantuan

all-inclusiveness. Best to end on hope and to mention such promising yet-unseen as Lindsay Anderson's *Is That All There Is?* (self-portrait of British cinema's grand old man), Stephen Pollakoff's *Century* (Miranda Richardson in tale of mad love and mad science) and Frederick Wiseman's *Zoo* (latest fly-on-wallier from the unblinking US documentarist).

Nor let us neglect the golden oldies. John Ford's *The Searchers*, Hitchcock's *Under Capricorn* and William Wellman's *Wings*, plus orchestra. The festival, based at the National Film Theatre and continuing until November 21, is open to all.

Recital/David Murray

## Trumpet and piano

At Hakan Hardenberger's recital, in another direction, no less bold but almost archaically, trying out unknown pieces with piano from earlier this century.

There were two of the Paris Conservatoire's annual competition-places (such as all wind soloists depend upon). A Suite by the eighty-something Florent Schmitt - who lived on and on while his music declined relentlessly, from fine early-century works to brittle "Les Six" pastiches - sounded sprightlier than most of his later products. An early "Legend" by Georges Enescu carried an authentic whiff of period drama, heady and moody. We heard also Antoine Tinsé's more recent sequence *Héroïque*: whimsically intense and personal, if not so potent as to drive one off in search of more of his music - not right away, anyhow.

By contrast, a trumpet sonata by Georges Anthelme (at 83, once known in America as the avant-garde "Bad Boy of Music"), proved rapidly cute, downright retarded. In Pöntinen's thoughtful hands (assisted on the ivory by one Hardenberger finger), Charles Ives' "Three Page Sonata" for piano - actually 8 or 10 pages long, and almost half-century older than the Anthelme - sounded the authentic note of passionate modernism.

Pöntinen was less happy in Stravinsky's virtuoso

transcriptions of "Mouvements" from his *Petrushka*. They were adapted for the young Arur Rubinstein, partly to please him but surely no less out of mischief; they are recklessly difficult, and in those days Rubinstein hated practising. Nowadays, when everybody knows the orchestral originals, pianists must face up to the crazy challenge of recapturing all that colour and all that teeming vitality. Pöntinen, very workmanlike, fell short of that - and it was a mistake to play only two movements, without the tuneful, exhilarating catharsis of the third.

The recital concluded with Hardenberger's own transcription of *An American in Paris*, calculated to appeal. Though every player in the world must long to play Gershwin's first trumpet, this was not the way to manage it. For one thing, fattening his role by cannibalising the other instrumental parts flattened some inspired contrasts: in the Charleston, for example, muted trumpet was no substitute for Gershwin's soaring violins. For another, Pöntinen - as one might have guessed from his *Petrushka* - over, ever *sings*. Readers who look on the bright side might see that as a sign that American music has not invaded European music completely, not yet.

Young Hardenberger, however, was peculiarly fortunate to be both precocious and omniscient. He has not squandered his good fortune on easy success: prompted or inspired by him, Birtwistle, Ligeti and Henze have composed trumpet works that are substantial gifts to the

meagre repertoire. On Tuesday he ventured in another direction, no less bold but almost archaically, trying out unknown pieces with piano from earlier this century.

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Pöntinen was less happy in Stravinsky's virtuoso



Mike McShane, Steven O'Shea and Kevin McNally

Theatre/Alastair Macaulay

## 'Exact Change' equals failure

At several points, however, Epstein means his characters to transcend this kind of cuteness. Mainly this occurs when they talk, with infinite incomprehension, of the opposite sex. Bots: "What is it about women?" Morelli: "An alien culture." They talk of women's perfumes, of their own creation complexes, and of their own violence to women. They are, of course, as

much failures with women as elsewhere; indeed, you start to sense that their failure with women is at the root of their own failings. But it is here that the play becomes touching; and only it is here that I found it possible to laugh.

The production, directed by Aaron Mullin, takes time to find its feet. At first, Steven O'Shea, as Merola, speaks at too monotonous a volume, and

the timing is too pat. But Mike McShane, as Bompke, and Kevin McNally, as Bots, are remarkably persuasive, and O'Shea eventually rises to their level. My reservations are about the play.

I reviewed last week the excellent Birmingham Rep staging of *Pinter's Old Times*. Because I did not notice the sung passages including

anything from "Smoke gets in your eyes," I assumed that they were omitted. I am reliably informed, however, that in this was mistaken. My apologies to the actors; and my renewed compliments to the production.

*Exact Change* is at the Lyric, Hammersmith, W.6, until December 4. 081-741-0824.

## INTERNATIONAL ARTS GUIDE

## ATHENS

Megaron Tonight, tomorrow: Ensemble Diagonal in Stravinsky's *The Soldier's Tale*. Tomorrow: Renato Bruson sings arias with Athens State Orchestra. Sun: Alkis Baltas directs a concert of songs by Stravinsky, Berg, Bartok and the Beatles. Mon: Donna Evmoichidou piano recital. Wed, Thurs, Fri: Alexandros Myrat conducts La Camerata in works by Janacek, Schnittke, Bach and Honegger. Nov 12-19: Rudra Béjart Lausanne presents choreographies by Maurice Béjart (01-728 2333/01-722 5511)

## BARCELONA

Gran Teatre del Liceu Sun, next Wed and Sat: Giordano's *Fedora* with Mirella Freni. Nov 15, 16, 17: National Ballet of Spain (tel 412 3532 fax 412 1188)

## BOLOGNA

Teatro Comunale Tomorrow.

Sun: Evelino Pido conducts orchestral concerts with soprano soloist Editha Gruberova. Mon: Shostakovich Trio plays piano trios by Beethoven, Schumann and Smetana. Next Wed: Lyon Opéra Ballet in Maguy Marin's production of *Coppelia*. Nov 27: opening of 1993-94 opera season with Puccini's *Trittico* (Bilgietaria, Ente Autonomo Teatro Comunale di Bologna, Largo Respighi 1, 40128 Bologna. No telephone bookings accepted. For information, call 051-529999)

## FLORENCE

Teatro Comunale Tomorrow, Sat, Sun: Pincas Steinberg conducts works by Mendelssohn, Grieg and Schumann, with soprano Elisabeth Norberg-Schulz. Nov 12, 13, 14: Gustav Kuhn conducts Bruckner. Nov 19, 20, 21: Carlo Maria Giulini conducts Tchaikovsky and Musorgsky (055-277 9236)

## LONDON

**THEATRE**  
● Moonlight: Harold Pinter's first full-length play for 15 years transfers from the Almeida to the West End with a cast including Ian Holm and Anna Massey. Opens tonight (Comedy 071-867 1045)  
● Relative Values: Tim Luscombe's acedid Chichester Festival production of Noel Coward's comedy arrives in the West End with a cast headed by Susan Hampshire and Alison Fiske. Now previewing, opens on Mon (Savoy 071-838 8888)  
● She Stoops To Conquer: the

Peter Hall Company presents a revival of Oliver Goldsmith's Restoration romp about mis-matched love and mistaken identities, starring Donald Sinden (Queens 071-494 5041)  
● Arcadia: Felicity Kendal and Emma Fielding in Tom Stoppard's multi-layered comedy, in repertory at the Lyttelton with Michael. Sophie Treadwell's 1928 classic of the American avant-garde, starring Fiona Shaw (National 071-828 2252)  
● Oleanne: David Suchet and Lia Williams in Harold Pinter's production of David Mamet's powerful play about political correctness and sexual harassment (Duke of York's 071-836 5122)  
● Tamburlaine the Great: Anthony Sher plays the title role in Marlowe's masterpiece of lyrical story-telling. Terry Hands' RSC production is in repertory with *The Taming of the Shrew*. *The Winter's Tale* and a revival of Tom Stoppard's 1974 comedy *Travesties*, also starring Sher (Barbican 071-638 8891)

**OPERA/DANCE**  
Covent Garden The Royal Opera's repertory this month consists of the new Haitink/Vick production of *Melsterfinger* with John Tomlinson and Thomas Allen (till Nov 18), Yevgeny Olegin with Dmitri Hvorostovsky and Catherine Malfitano (till Nov 11) and a re-staging of Scottish Opera's production of *Die Zauberflöte* (from Nov 15). The Royal Ballet has MacMillan's production of *Romeo and Juliet*, a mixed bill which includes MacMillan's *Different Drummer* and Forsythe's *Herman Schermerman*, and a Balanchine/

Ashton evening (071-240 1088) Coliseum English National Opera's repertory for the next two weeks consists of *Le nozze di Figaro* and *Il barbiere di Siviglia*. A new production of *Lohengrin* opens on Nov 20 (071-836 3161)

## CONCERTS

South Bank Centre Tonight: Esa-Pekka Salonen conducts Philharmonia Orchestra in works by Haydn, Schoenberg and Stravinsky, with piano soloist Alfred Brendel. Tomorrow: The Sixteen in a programme of early English church music. Sat: Vladimir Ashkenazy conducts Royal Philharmonic Orchestra in a Tchaikovsky programme, with vocal soloists Roberta Alexander and Alexander Fedin. Sun, Mon: Klaus Tennstedt conducts London Philharmonic in Mahler's Fifth Symphony. Tues (RFH): John McLaughlin and new band, Free Spirits. Tues (QEH): Matthias Bamert conducts London Mozart Players in Tippet and Mozart, with violin soloist Ernst Kovacic. Wed: Heinz Wallberg conducts BBC Symphony Orchestra and Chorus in Brahms' German Requiem. Nov 14: Jessye Norman. Nov 17, 18: Haitink conducts Shostakovich. Nov 21: Sviatoslav Richter (071-928 8800) Barbican Tonight: André Previn conducts London Symphony Orchestra in works by Beethoven and Brahms. Tomorrow and Sat: Yo Ma. Tomorrow: Stephanie Gonley directs ECO in Handel, Bach, Mozart and Tchaikovsky. Sat: Armin Jordan conducts Orchestre de la Suisse Romande in Gaudubert, Schumann and Shostakovich, with piano soloist Martha Argerich. Mon: Tchaikovsky

concert with bass soloist Yevgeny Nesterenko. Tues: RPO plays music by American composers. Next Wed, Thurs: Previn conducts LSO in Barber, Bartok and Elgar, with Itzhak Perlman (Wed) and Krystian Zimerman (Thurs). Nov 13: Igor Oistrakh. Nov 15, 16, 17: St Petersburg Philharmonic Orchestra. Nov 23: Sviatoslav Richter (071-638 8891)

## MADRID

Auditorio Nacional de Musica Tonight: Lindsay Quartet gives the second of its recitals devoted to the string quartets of Beethoven (the final two recitals are on Nov 16 and 17). Tomorrow, Sat, Sun: Antoni Ros Marba conducts Spanish National Orchestra in works by Pergolesi and Stravinsky. Next Tues: Nicolas Chumachenko conducts Queen Sofia Chamber Orchestra in *Borges and Vivaldi* (01-337 0100) Teatro Lirico La Zarzuela Tomorrow: opening of Ballet Flamenco season, daily till Nov 14. Nov 18-20: Compagnie Angéline Preljocaj (01-429 8225)

## PRAGUE

Zdenek Kosler conducts Czech Philharmonic Orchestra and Prague Philharmonic Chorus in works by Brahms and Franck tonight, tomorrow and Sat at Dvorak Hall, with violin soloist Kurt Nikkanen (02-288 0111). Petr Altrichter conducts Prague Symphony Orchestra in a Tchaikovsky programme next Wednesday at Smetana Hall, with violinist Ivan

Zenaty (02-232 2501)  
● Tickets for theatre and concerts can be ordered from abroad through Bohemia Ticket International, Salvatorova 6, 11000 Prague 1 (fax 02-231 2271)

## ROME

Teatro Olimpico Tonight: Murray Perahia directs Chamber Orchestra of Europe in works by Beethoven and Mendelssohn. Next Thurs: Andreas Schmidt sings Schubert and Schumann Lieder. Nov 18: I Virtuosi di Roma. Nov 23: Monix Dance Theatre. Dec 2: John Eliot Gardiner conducts Monteverdi (06-320 1752)

## TURIN

Teatro Regio The 1993-94 season opens next Tues with a new production of *I Capuleti e i Montecchi*, conducted by Bruno Campanella and staged by Giorgio Marin, with a cast led by Mariella Devia and Martine Dupuy. Ten further performances till Nov 21, with double casting (011-881 5214)

## VENICE

Teatro La Fenice Tomorrow, Sun afternoon, next Wed and Fri: Christian Thielemann conducts Giulio Gualazzotto's new production of *Der Rosenkavalier*, with a cast led by Felicity Lott, Anne Sofie von Otter and Arur Korn. Nov 20: first night of new production of *Mosè in Egitto* starring Ruggero Raimondi (041-521 0161)

## ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

## European Cable and Satellite Business TV

(All times are Central European Time)  
**MONDAY TO THURSDAY**  
Super Channel: European Business Today 0730; 2230  
Monday Super Channel: West of Moscow 1230.  
Super Channel: Financial Times Reports 0630  
Wednesday Super Channel: Financial Times Reports 2130  
Thursday Sky News: Financial Times Reports 2030; 0130  
Friday Super Channel: European Business Today 0730; 2230  
Sky News: Financial Times Reports 0530  
Saturday Super Channel: Financial Times Reports 0830  
Sky News: West of Moscow 1130; 2230  
Sunday Super Channel: West of Moscow 1830  
Super Channel: Financial Times Reports 1900  
Sky News: West of Moscow 0230; 0530  
Sky News: Financial Times Reports 1330; 2030



# How market testing is being undermined



PERSONAL VIEW

The market testing programme, which puts work done by civil servants out to tender, has now been running in the UK for almost one year. With the announcement today of the government's achievements in the first round, it is time to reflect on the progress of the programme to date, which many have found disappointing.

The latest figures for departmental savings offer some limited encouragement from the purchaser's perspective. There has been a tendency, however, to focus on cost reduction without full consideration of the options available to improve the added value of service delivery. With few exceptions, policymakers and civil servants have demonstrated an inadequate understanding of the extent of the benefits that the private sector is able to offer and how these may be achieved.

One of the central problems has been the use of public procurement techniques, borne of public sector item purchasing, which are wholly inappropriate to a programme that seeks to simulate the mechanism of market enterprise.

Tenders are often framed in such a way that they severely restrict the scope for using entrepreneurial and forward-looking approaches to deliver greater savings. It is therefore almost impossible for suppliers to minimise reductions in staff numbers while still making an adequate return.

The most typical approach has been for departments to draft detailed service specifications, based upon the current provision. Little regard is paid to the longer-term and higher objectives to be supported, to the alternative methods available to achieve them, or to the flexibility required for outsourcing - where specialist services are bought in from private companies - to work in practice.

By suppressing the scope for innovation and by limiting the benefit that industry is able to offer, these restrictive require-

ments undermine the central purpose of market testing. It is no coincidence that trade unions have explicitly advised their members involved in market testing to base their specifications on the existing set-up.

Moreover, once translated into a binding contract, such stringent requirements can result in an increasingly inefficient and irrelevant service, without the flexibility to adapt to changing needs and advancing technologies. Indeed, a number of large outsourcing contracts in the US have failed precisely because of this problem.

Potentially this is a political time bomb for the government. If problems do occur, they are likely to be in the mid-term of contracts let under this year's market testing round - that is, about the time of the next general election.

The success of market test-

## The government should not overestimate private companies' ability to absorb public sector staff

ing for highly skilled professional services will also depend to a significant extent on the ability of government and private sector to secure the co-operation and commitment of existing personnel. At this early stage, no company will have replacement staff of equivalent capability ready to take over the running of the service.

This begs the question of how to mitigate the inevitable frictions of the "hostile takeover bid" scenario created when a defeated in-house team is expected to transfer to a winning company. Government could minimise the adversarial nature of the process between civil servants and the private sector by introducing a preliminary phase in the market testing process based upon benchmarking a proposal from the in-house team, perhaps in collaboration with a private sector partner, against industry best practice. Only where it is clear that

outsourcing to the private sector will yield additional benefits should a competition for an external supplier be held - without an internal bid, leaving civil servants free to become actively involved in the market testing process and to form a co-operative, rather than adversarial, relationship with the private sector.

Of course, for civil servants themselves the primary concern has been the effect of market testing on long-term employment prospects. Certainly in information technology, most civil service divisions realise that they are over-staffed.

This is compounded by a progressive reduction in staffing needs throughout the IT sector as a result of technological change, and it is clear that redundancies are inevitable, irrespective of whether the services are outsourced or remain in-house.

The government should not overestimate the ability of private companies to absorb public sector staff into their workforce, particularly in the current economic climate.

Nor can departments expect to be shielded from the costs and responsibilities of reskilling and redundancies. Host companies will not want to act as the government's abattoir, taking on staff merely for the opportunity to fire them, even if subsidised to do so.

It is critical that these problems are addressed before the momentum of market testing begins to fade. Otherwise there is a danger that the interest of private sector suppliers will diminish rapidly and the mechanism of competition will become correspondingly less effective.

Market testing is an important initiative which could provide substantial improvements in the value for money of public services. To achieve its full potential, however, private sector involvement should not be based merely on participation in individual tenders, but on the formation of long-term, strategic partnerships with the civil service.

Charles Cox

The author is executive director of Hoskyns Group

A historical parallel to the present-day threats to the world economy would be enlightening to people with imagination.

In 1938-39, the threat of communism to the capitalist democracies had by no means vanished. Yet in those years the main threat came from Nazi Germany. The blindness of many western statesmen to this new threat, and their continued obsession with communism, cost their citizens dearly by delaying preventive action against the Axis powers.

Inflation is like the communist threat in 1938-39. Only the meretricious will say that it is yesterday's threat, or that we can forget about it. But for the time being the greater threat is one of global depression - by which I do not mean a repeat of the Great Depression of the 1930s, but a drawn-out underperformance of output and employment, politically as well as economically debilitating.

Let me cite three out of many pieces of evidence. Credit Suisse First Boston points out in its October *Economics Bulletin* that the devaluation of sterling and the lira, relative to the D-Mark and the franc, have not had their normal postwar effect - higher inflation in the devaluing countries. Instead UK producer prices have shown only a glancing rise after devaluation, and Italian prices rose less than expected. On the other hand, French and German producer prices, especially the former, have actually fallen.

Credit Suisse First Boston may be jumping the gun in calling the net effect deflationary. Consumer prices normally rise more than producer prices because productivity in services does not rise as quickly as in industry.

Yet the price indices may be deceptive. The best statisticians cannot pick up all the quality improvements or special discounts that lie concealed behind the price-lists. Nor, as even the Bank of England warns us, should policymakers treat as inflationary the knock-on effects of indirect tax increases imposed by governments to relieve their structural budget deficits.

The second instance comes from the Bank of England's new *Inflation Report*. This contains a chart, reproduced here, showing the expected profile of inflation derived from gilt-edged prices. This does indeed show some expected rise from a 1995 low-point, but not by much. The important lesson is that expected inflation

# ECONOMIC VIEWPOINT

## Worldwide threat of weak demand

By Samuel Brittan

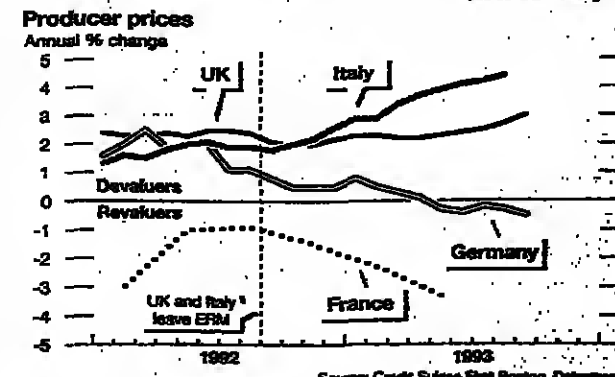
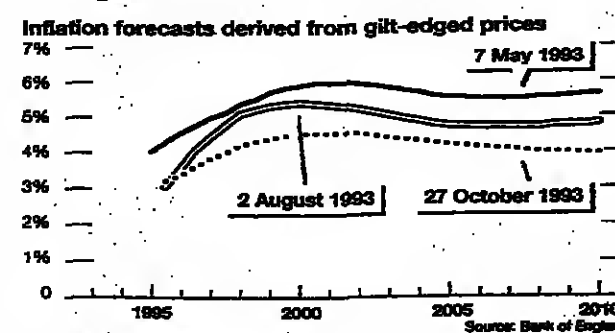
tion in about 10 years fell by one percentage point between May and August, and by almost as much again in the period to October. Inflationary expectations are now "down close to where they had been before sterling's exit from the exchange rate mechanism". Indeed, assuming that gilt-edged yields contain some risk premium, as well as an allowance for future inflation, inflationary expectations lie within the government's 1-4 per cent range.

Third, there are signs that UK retailers' price wars are no flash in the pan. Midland Global Markets Research has collated a good many pointers to retail price restraint being with us to stay. The retail sales price index has risen less than the underlying RPI and sales volume has increased faster than gross domestic product. Within the retail trade, the sectors that have held down prices most have seen the fastest sales. The war between BT and Mercury, together with the price cuts announced by Sainsbury yesterday, exemplify what is happening.

There is a more cosmopolitan element too. Although the importance of China in the world economy has been hyped up, UK imports from the emerging markets - eastern Europe, Latin America and east Asia together - have risen in a mere three years from 17% to 21 per cent of the total. As Credit Suisse First Boston suggests, such imports have put pressure not only on British margins, but also on the margins of traditional suppliers in western Europe and elsewhere.

These direct influences on the price level of western European countries do not conflict with a monetary interpretation of inflation. What they do mean is that the effects of demand restraint come through more quickly into the price level. This is all to the good. Nor should the success of the new exporters be regarded as a threat. For they do not sell their wares to line their central

### Changes in economic climate



banks with D-Mark, franc and sterling notes, but to buy western produce and know-how.

What, however, threatens to throw a spanner in an otherwise benign set of consequences is the weakness of demand in the industrial world. The Bank of England

### The case for an independently accountable Bank of England has to be restated

mentions a 6% per cent growth of nominal GDP as according with the real growth needed in the recovery, and the inflation target. Yet such demand expansion is not taking place in the UK or in any other leading member of the Organisation for Economic Co-operation

and Development. As 'The Economist' pointed out last week, nominal GDP is growing by 3 per cent or less in all EC countries except the UK, and even in the latter it is well below the Bank's benchmark.

We should avoid a futile battle between those who see European depression in terms of inflexible labour markets and high costs of employing workers, and those who worry about inadequate demand. The more flexible labour markets become, the greater the benefits of a moderate but positive rate of demand expansion. In fact, the climate for pay flexibility and for a critical look at labour overheads has never been better.

After decades of moving in the wrong direction, the one thing that could scupper this new mood and turn it into resentment would be if lower pay and prices simply led to

slower demand growth in money terms, with little to show in output and jobs.

In this new phase the case for an independently accountable Bank of England has to be restated. Its sole task can no longer be just to stop inflation. Nor can the real economy be always safeguarded just by making the counter-inflationary strategy sufficiently gradual. Growth depressions may persist for years without causing a deflation that shows up in the statisticians' indicators.

In current conditions, an independent central bank needs to have an objective for nominal demand. Nominal GDP is the best-known variant but other measures, such as domestic expenditure, which I need not labour, may be more operational and suitable for concerted international action.

There is nothing novel about all this. In spite of Alan Greenspan's attachment to price stability, the US Federal Reserve has always had other aims. The New Zealand Reserve Bank operates through a contract with the finance minister, which now covers inflation exclusively, but could be renegotiated next time to cover some version of nominal GDP.

The main case for an independently accountable central bank is not that it can magically bring price stability at a zero cost. It is the case for having one body clearly responsible for monetary policy, which could not then be blamed on some amorphous amalgam of politicians, officials and central bankers as at present.

Moreover, it is a good democratic idea that these decisions should be taken by a central government, constantly looking over its shoulder at its parliamentary majority, and that more should be taken by other bodies accountable in other ways.

It is still desirable that a central bank should acquire a first-class counter-inflationary reputation. For it can then get away with more demand stimulation when the time is ripe, and there will be fewer suspicions that it is taking inflationary risks to buy an election. But this need not prevent it having wider objectives.

To revert to our opening analogy: from this 1990s, the statisticians who most successfully took the world were far from left or communist. But they were aware that there was more than one threat, and that different threats could be important at different times.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Nuclear review conclusions not obvious

From Dr Dieter Helm.

Sir, Professors Fells and Lucas (Personal View, November 2) rightly point out that the issues facing the nuclear industry necessitate a wide-ranging inquiry with broad terms of reference. The conclusions of such a review are, however, far from obvious, and they may not be so clearly pro-nuclear as the authors might wish.

The authors think it wise to maintain a 20 per cent reserved market for nuclear power. There is, though, nothing magical about this level of contri-

bution, nor any obvious reason why this bit of the market should be reserved for nuclear power.

Furthermore, the authors are quite wrong to assert that "electricity from Sizewell C can be competitive with gas". The large construction costs, the long time period, the uncertainty about load factors and about the disposal of waste fuel do not compare very well against the economics of combined cycle gas turbines (CCGTs). To suggest that "it is a question of convincing prospective investors" rather than one of fundamen-

tal lack of cost competitiveness, is unconvincing.

Indeed, having extolled the virtues of more pressurised water reactors (PWRs), the authors concede quite rightly that "a new nuclear plant is unlikely without government support". What the authors really want is terms of reference which give the answer "Sizewell C". May I suggest the relevant question then is: "If 20 per cent of the British electricity market were reserved for nuclear power, should a new PWR be built?" It is precisely because it is far from obvious

why nuclear should have a special place in the market that the terms of reference of the nuclear review should indeed be broad: a thorough investigation of the costs and benefits of nuclear power is needed; so customers who will have to pay for new reactors can see whether the bills are worth paying. Only then will the nuclear industry have a degree of stability in planning its future.

Dieter Helm,  
Fellow in economics,  
New College,  
Oxford

### Standards institution 'punctilious' in following Cadbury Committee code

From N C L Macdonald.

Sir, As a board member of the British Standards Institution, and as a member of the Cadbury Committee, I was disturbed to read the incorrect assertion ("Standards authority faces criticism", November 3), apparently made by the former chief executive of BSI, that proposed changes to BSI's constitution were "against the recommendations on good corporate governance proposed by the Cadbury Committee".

Far from contradicting the code, the BSI board (and its audit committee which I chair) has been punctilious in seeking to observe the spirit and the form of the code. Unjustified criticism, particularly if linked to inaccurate comment by past employees, provides an inadequate basis for an effective debate.

In fact, the Cadbury recom-

mendations do not, formally, apply to BSI, but the board decided, from the moment that it was reconstituted, that it would follow the code. Several changes have been made as a consequence, not least the extensive disclosure now given in the annual report.

The board was reconstituted, following changes in BSI's constitution which were approved by its members at the 1991 annual general meeting, to reflect best commercial practice. "Recent events have focused attention on the responsibility of non-executive directors to ensure that the organisations with which they are associated have proper systems of control and suitable management information to discharge their responsibilities properly. The BSI board has no intention of shirking from these responsibilities."

The board will welcome constructive questioning from any members who attend the annual meeting on November 4 where they will quickly learn that the actions taken and changes proposed by the board reflect a logical and considered approach to bringing the BSI into a state in which the members' interest can be better served.

The challenges facing BSI are profound and the board has taken action to ensure that these issues are tackled. The chairman and the executive committee have been addressing numerous difficult but vital issues, and report regularly to the BSI board. Effective corporate governance requires no less.

N C L Macdonald,  
10 Lynton Road,  
Epsom,  
Surrey KT17 4LD

### Muddle in the Chunnel

From J R Stanyard.

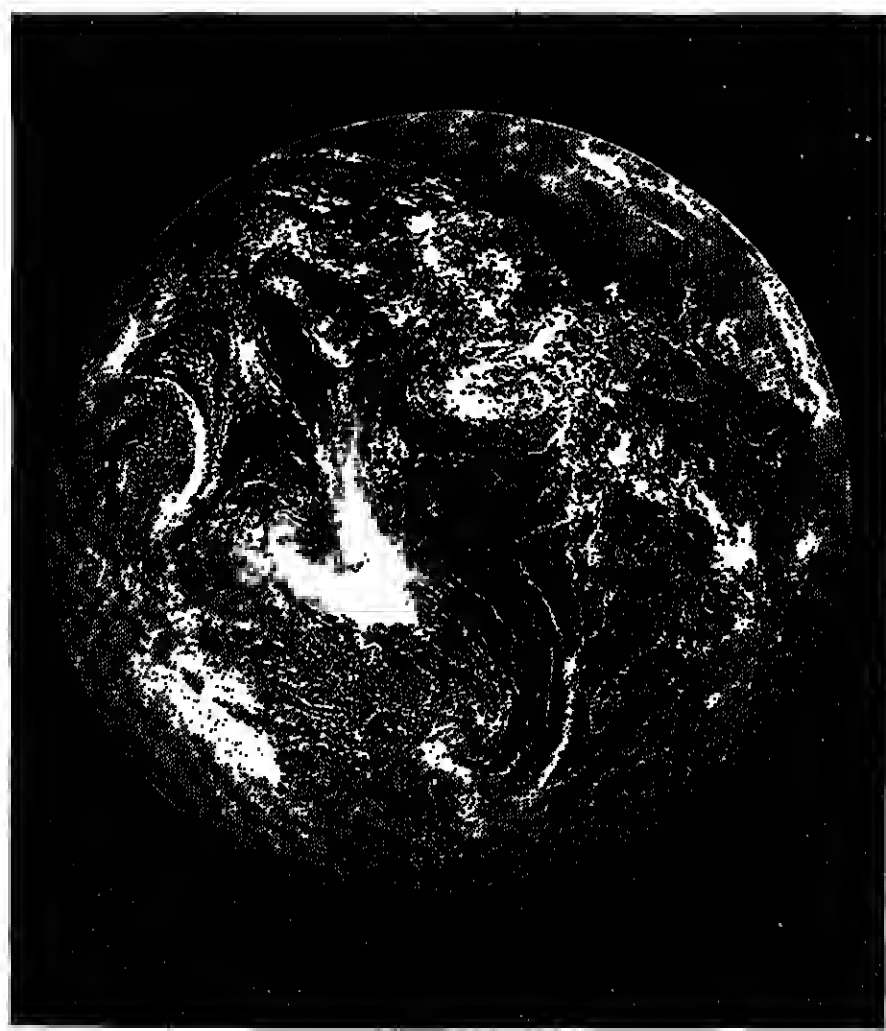
Sir, Your call for the government to bear the risk of the preconstruction stage of major infrastructure projects ("Chunnel link", October 29) is to be welcomed, but your arguments for giving priority to the Channel tunnel link are flawed.

First, the fact that the project is already delayed is immaterial; it should be evaluated alongside other competing schemes using today's estimates of benefits and uncommitted costs. The history of the proposed link, however protracted and tortuous, should not affect the decision.

Second, using a massive, high-profile initiative is more likely to flood the "pump" of private/public finance than to prime it. Has not experience of major projects taught us that novel techniques, whether technological, managerial or financial, are most likely to be successful when they have been piloted in lower-risk situations? Surely we should be looking to learn quickly on smaller, high benefit/cost ratio projects and feeding the lessons into the big schemes as they develop.

The Channel link is needed, but let us ensure a decision on its fate is made on rational grounds. Muddling the debate with that on innovative ways of funding public works will do both cause a disservice.

J R Stanyard,  
partner,  
project management practice,  
PA Consulting Group,  
123 Buckingham Palace Road,  
London SW1W 9SR



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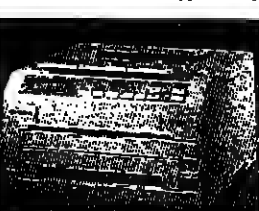
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## FINANCIAL TIMES

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Thursday November 4 1993

# Democrats in retreat

THE REPUBLICANS did well in Tuesday's state, city and local elections in the US. They replaced Democratic governors in New Jersey and Virginia, unseated the Democratic mayor of New York, and emerged victorious in several smaller contests. These were not national ballots but the outcome will make it more difficult for President Bill Clinton to get his legislative agenda through Congress. The tide of political opinion is clearly not running his way.

It is true that local factors play a larger part in US local elections than they do in their counterparts in many European countries. New York's outgoing mayor, David Dinkins, who lost by a whisker, was not an outstanding success in a job that may be impossible to do well. New Jersey's outgoing Democratic governor, Jim Florio, who also lost by a slim margin, had increased taxation and incurred the wrath of the National Rifle Association. In Virginia the Republican, George Allen, won by a convincing 58 to 41 per cent, but the vote was influenced by support for religious fundamentalism.

Party allegiance does, however, count for something, perhaps more than many Americans believe. Democrats are still governors in 29 of the 50 states. They control an overwhelming majority of US city halls, in spite of losing Los Angeles earlier in the year. In off-year elections there is often a swing against the party that controls the White House, as even President Ronald Reagan discovered shortly after taking office. Added to that, the electoral mood

this year is against incumbency itself. In Maine and New York City the voters approved limits on the number of terms any one representative could serve.

The danger for President Clinton is that while there are more Democrats around there are more who can be turned out. The big test will come next year, when there will be gubernatorial contests in 38 states, and a third of the senate and the entire lower house will be re-elected. The swing of the pendulum alone suggests that the Democrats are likely to be the loser in these mid-term elections. If Mr Clinton is to rely on what is at best a tenuous party allegiance in Congress he must try to get as many votes through Congress as he can during the coming year.

One important vote is due in a fortnight, when the lower house will decide on ratification of the North American Free Trade Agreement. There is no doubt that the US economy would benefit from NAFTA, but in particular areas there are fears about the exportation of jobs across what would be a barrier-free border with Mexico. Several head-coums suggest that before this week's Republican triumphs support for NAFTA in the lower house was short of victory by some 50 votes. Tuesday's results will have made some individual congressmen and women more nervous about their re-election next year. Much work will have to be done by President Clinton between now and November 17 if the passage of the NAFTA deal is to be assured.

## Closed skies

EUROPE'S AIRLINE passengers are still suffering from high fares nearly a year after the European Community's open skies policy came into force. Competition has been slow to develop and, according to a report yesterday by the UK's Civil Aviation Authority, there is little prospect of improvement.

Part of the explanation is that the middle of a deep recession is not the best time to raise funds to develop competitive services. But the main problem is the entrenched position of Europe's flag-carriers. About 95 per cent of international scheduled routes within the EC are served by monopolies or duopolies but only 20 by three or more carriers.

Where two flag-carriers operate, the prospects of competition are slim. Established players, which have lived for decades in a culture of state-sponsored collusion, have little incentive to start price wars. But where three players operate, the dynamics are more promising, the CAA report shows. The most significant price cuts this year have occurred on routes where British Midland has started to run services.

The snag is that it is still hard for third operators to enter the market because most of the Community's busiest airports are congested, with scarce take-off and landing slots allocated to flag-carriers. Matters are made worse by governments' habit of subsidising their airlines, which means potential rivals are not competing on a level playing field.

The ideal solution would be to increase the supply of slots by building more airports or runways and to ban state aid. But such radical actions are unfortunately not practical policies. The French government's recent 'turn over' plans to restructure loss-making Air France shows the difficulties of cutting state aid. Equally, building new airports runs smack into environmental lobbies.

The CAA's answer is to put forward proposals which go some way towards creating the conditions for effective competition but also stand a chance of being politically acceptable. It wants the Commission to insist that state aid is linked to plans to cut costs sharply so that further hand-outs are not needed and that subsidies are not used by airlines to buy market share through the purchase of smaller competitors.

The CAA also argues that slots should be freed up for use by those airlines which are most likely to challenge the established order. Here its approach is incremental, relying on distributing any new slots that become available rather than confiscating existing slots from flag-carriers. Yet it is still more radical than the Commission's current policy.

Passengers may feel that the CAA's proposals do not go far enough. But vested interests are so powerful that it will not be easy for even these modest ideas to win acceptance. If passengers want more, they will have to make their voices heard loud and clear.

## VW's 29 hours

GERMANY is struggling to adapt manufacturing employment to reduced demand for its high-cost goods. According to the Organisation for Economic Co-operation and Development, German unemployment will grow from 7.7 to 11.3 per cent of the workforce between 1992 and 1994 - a far bigger increase than in any other large industrial country.

Volkswagen, the loss-making motor group, faces not only the general problems of German industry, but also some specific ones caused by inability to control costs during previous periods of capacity expansion. It is, however, not clear whether the company's radical proposal for a four-day week from January 1 maps out the route to recovery.

Volkswagen says it needs to cut its 108,000-strong workforce to 72,000 by the end of 1995 - a consequence of stagnating sales and big productivity improvements. Labour reductions of this order can be avoided, VW maintains, only if employees agree both a 20 per cent cut in working hours to 28.8 from 36 per week - and equivalent reductions in wages. The IG Metall trade union, which in the past has led an industry-wide drive for shorter hours, has indicated willingness to compromise.

Bound by a commitment to the Lower Saxony government, VW's largest shareholders, to maintain a 100,000-strong workforce until the end of 1994, the company's chairman, Mr Ferdinand Piëch, badly needs a deal. How-

ever, in his efforts to press through wage cuts, he holds strong negotiating cards. Germany's labour costs, having failed to adjust to straitened economic circumstances, are too high, while VW workers earn roughly 10 per cent more than in other German motor groups. The company may partly offset reductions in workers' living standards with cash which would have been deployed for redundancy programmes.

Provided IG Metall agrees appropriate pay cuts, the plan could grant Volkswagen breathing space in which to work out longer-term arrangements for lowering costs. Yet unless the company can foresee a relatively speedy return to five-day working (at present unlikely), cuts in working hours will not be more than a short-term expedient for tackling the fundamental problem of over-manning and excess capacity.

Such deals have only limited applications for companies in similar predicaments. They do not tackle the non-wage costs which represent an important burden on German companies. Additionally, across-the-board reductions in pay and hours, demanding equal cuts in living standards from all workers, irrespective of their productivity, could even counter the move to more flexible working practices which Germany urgently needs. German labour and management are showing welcome readiness to negotiate solutions to the country's industrial difficulties. But they are still only at the beginning of the adjustment process.

Volvo has always been close to the hearts of Swedes, remarked a hard-pressed company spokesman this week. It was, he said, "normal, natural and fair" that an emotional national debate had sprung up over the plan to subsume Volvo's quintessentially Swedish cars into a junior partnership with mighty state-owned Renault of France.

By the same token, the vexed question of whether Volvo's shareholders should approve the merger with Renault has come to symbolise a broader argument over Swedish attitudes towards the country's role in the wider world - and in particular its application to join the European Community.

Like the recession-battered country as a whole, Volvo is just recovering from a traumatic three years dominated by losses. Just as the nation's political leaders have decided membership of the EC is essential to the future economic and political well-being of Sweden, so the Volvo board has decided the long-term survival of its core car and truck-making operations depends upon a strategic link with a big European partner.

But to what degree does opposition to the Volvo-Renault deal really mirror an apparently solidifying resistance in the country to the notion of EC membership? And, in a wider sense, do both concerns signal a tendency in Sweden to turn inward in response to what is the worst economic slump in 50 years?

Professor Assar Lindbeck of Stockholm University, Sweden's leading economist, believes that the nationalist element in the fight against the Volvo-Renault merger only emerged seriously after substantive objections were raised by shareholders, not vice-versa. He says the core issues in the opposition revolve around the industrial strategy behind the deal and the role of the French government as the owner of the merged company - not foreign ownership.

"I don't think feelings about foreign control are any greater in Sweden than anywhere else - possibly less. What matters in this case is the involvement of foreign government with protectionist instincts. French governments have been more interventionist than Swedish governments have been."

"If the French government had not been involved I don't think the merger would have become an issue in the country."

It is true that the mainstream political parties and, crucially, the majority of trade unions, have supported the Volvo-Renault deal. The LO, the confederation of blue-collar unions, has not flinched in the face of a media campaign to prevent Volvo being "sold out", saying more foreign investment is needed to

secure jobs in Sweden, not less. Nevertheless, nationalist overtones have become prominent in the Volvo debate. Svenska Dagbladet, the respected conservative newspaper which is normally vigorously against state intervention, has called for Prime Minister Carl Bildt's right-centre government to step in to stop the deal in its present form. "Just as Renault is important to France, so Volvo is for Sweden," is the mantra of the paper's chief economic commentator, Mr Peter Malmqvist.

Mr Olav Ehrenkrantz, Mr Bildt's senior domestic policy adviser, says Svenska Dagbladet's stance on Volvo is indicative of the strains Swedish society has been under in recent years as recession and reforms have eroded the old comfortable certainties of the country's strong industrial base and elaborate welfare system.

"It is very difficult for people to stick to principles when those principles lead to painful results you did not expect," he says.

The pain he refers to extends far

# Reluctant to walk the gangplank

Hugh Carnegie says the debate over the Volvo-Renault merger symbolises Sweden's vexed attitude to the EC



beyond the unifying sight of a treasured national symbol such as Volvo sliding under foreign control. Three years of slump, in which the economy has shrunk by more than 5 per cent, have heavily battered the "Swedish model".

Unemployment, once below 5 per cent, has leapt up to more than 13 per cent of the workforce. Real wages and disposable income have fallen. A combination of rapidly deteriorating public finances and politically motivated reforms has led to lower unemployment benefits, higher healthcare and education charges and much tighter sick leave rules.

At the same time, Sweden's traditionally liberal refugee policies have led to a surge in foreign newcomers recently, with at least 70,000 citizens of the former Yugoslavia alone set to settle in the country over the next couple of years. Their arrival in the middle of a severe downturn has sparked unprecedented levels of anti-immigrant feeling. It is mild by the standards of Germany or France, but weekend riots by right-

wing racist groups in industrial centres such as Gothenburg and Trollhättan are no longer unusual.

"Sweden has been a very homogeneous place," says Mr Olav Wästberg, until recently senior aide to Mrs Anne Wibble, the finance minister, and now editor in chief of Expressen, a top-selling tabloid newspaper. "Now people in the streets and in small towns are seeing people who are very foreign to them. It is taking time to get used to it, especially in a recession."

Such trends have tended to reinforce the argument against Swedish membership of the EC. Membership is seen as representing a further dilution of Swedish identity, opening the way to more foreign influence and a flight of more jobs abroad. Recent opinion polls have shown opposition to membership hardening at about 45 per cent, with support dwindling to less than 30 per cent.

"People tend to confuse the issues," says Olav Wästberg. "When they see (state-funded) day-care centres being closed early, they may

blame the EC because they hear the government saying that one reason for changes in taxes that lead to cuts in public spending is to harmonise our tax system with that of the Community."

Mr Wästberg says he will keep the populist Expressen pro-EC as the country moves towards a referendum on membership, expected sometime late next year. He believes public opinion can be turned around, but, like many others, says much will depend on the attitude of the country's biggest political party, the opposition Social Democrats.

The Social Democrats, led by Mr Ingvar Carlsson, are well placed, according to opinion polls, to win next September's general election. But they are deeply split on the EC. They lodged Sweden's application to join the Community when last in government, but only after a controversial *volte-face* in party policy carried through by the leadership.

Today, more than 50 per cent of Social Democratic voters indicate in polls that they are against membership, with less than 20 per cent in favour. This would be enough of a hurdle to winning a referendum in itself, but it is an insurmountable obstacle given that a majority of voters from four of the other six main political parties in favour of membership are also opposed.

Because of the split in their own ranks, the Social Democrats currently treat EC membership like fatal poison, avoiding addressing it in public. An exasperated Mr Bildt, struggling to get the case in favour across to the public, has resorted to trying to goad the Social Democratic leadership into supporting the policy it put into place when in office.

Undoubtedly, the internal strains of the past three years - and the successive crises in Europe - have left many Swedes sceptical and uncertain that greater economic, political and industrial integration with Europe is the way forward.

But, as Prof Lindbeck points out, it is also true that many Swedish companies have long since taken that path, becoming in the process genuine international organisations with much more of their production outside Sweden than at home. Just early last year, a majority of Swedes were in favour of EC membership.

An upturn in the economy, expected to take hold next year, and a more positive stance by the Social Democrats could yet turn around opinion on the EC. By the time a referendum is held, the row over Volvo's merger with Renault will be long past, and its outcome either way is unlikely to be a significant factor in the settling of the EC debate.

## Fitness regime for '90s

David Marsh on the changes foreseen by European banks

The banks are pinning hopes for expansion above all on trading in derivatives, equities, money market instruments and corporate bonds. Their emphasis on derivatives - instruments such as swaps, futures and options used to hedge exposure to foreign exchange and interest rate fluctuations - has already caused some concern among international bank supervisors, who have pointed to the need for greater surveillance of these markets.

Partly reflecting such worries, banks expect increased moves towards EC-wide regulation by the end of the decade, with 45 per cent of respondents saying this would hit profits. Anxiety about the impact on earnings of tighter regulation is greatest in Belgium, France and Luxembourg, as well as central and eastern Europe.

A majority of banks believes a pan-European free market in financial services will improve profitability. But French banks are exceptionally nervous about increased competition from other EC countries. 45 per cent of respondents

believe this will reduce profitability, compared with only 15 per cent who hold this view elsewhere in Europe.

As increased domestic and international competition lowers profitability in traditional lending and deposit business, banks are consciously widening their scope. There is a trend towards German-style "universal" banks, grouping commercial and merchant banking activities under one roof. Most respondents believe universal banks will significantly gain market share in a wide range of areas - from derivatives and foreign exchange to insurance and deposit-taking.

The need to cut costs is reflected in banks' intention both to reduce staff numbers further and to press ahead with costly new technology - part of the move towards "branchless" banking.

Significantly, German banks - although apparently seen as a model by many competitors - emerge as among the most likely to be affected by future changes. At present relatively fragmented, the German banking industry expects

much greater concentration. Ninety one per cent of German respondents, compared with 58 per cent of their European counterparts, expect further closures of bank branches.

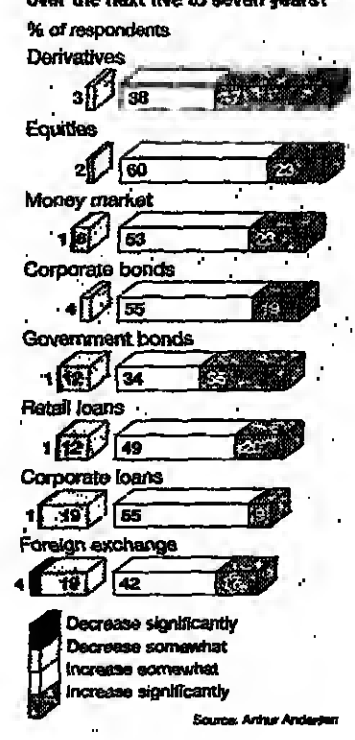
German bankers see far more opportunities than others from expansion in central and eastern Europe, and believe hostile take-overs - currently exceptional in Germany - will be more common.

For all the differences in individual countries, banks spot one overriding trend with considerable relevance for the development of capital markets across the continent. As public sector social security schemes come under pressure for economic and demographic reasons, retail customers are likely to turn more to banks for long-term pensions and insurance products.

As banks examine questions about their roles and identities, the report makes clear the scale of the management challenge. As Mr David Andrews, Andersen's head of financial services, puts it: "For survival, change is not optional - it is mandatory."

### Where bankers see growth

How will the size of markets change over the next five to seven years?



## Fax of the matter

John Katz, the research consultant who emerged from obscurity to marshal opposition to Postel's bid for property company Greycoat, has had to attend to a spot of administration in the past week. For he has been besieged by disgruntled Ferranti shareholders, seizing on him as their possible saviour in fighting the 1p-a-share offer from GEC.

Operating from a PO Box in Richmond, Surrey, with just one line for the phone and fax, John Katz & Associates has this week procured itself an answering service, ordered two extra telephone lines, and started making inquiries as to whether it needs regulatory authorisation if it decides to take the Ferranti case further.

Katz, it emerges, is essentially a one-man-band, but he has obviously used his scarce resources to considerable effect.

One merchant banker, slightly bewildered by the following he has built up, says the Katz technique is to bombard his prey with faxes. "God knows what he did before the machine was invented," observes this particular victim.

A barrister who qualified in South Africa, Katz has lived in the UK since 1979, initially working as European marketing manager of a subsidiary of Anglo American. Later, investing his own funds

in the stock market, he extended his advice to "a select group" of clients, his speciality being undervalued shares. He was roped into Greycoat because one such client, a Rolls-Royce dealer in Putney, had got involved with the company at his recommendation.

"So there was a measure of commitment for the advice I had previously given," he remarks. Now he has warned to the cause; "The arrogance which merchant banks and directors adopt in these circumstances is very damaging".

It would certainly seem that Greycoat's advisers, Rothchild, seriously underestimated Katz, an unknown in the City hitherto. S.G. Warburg, advisers to GEC, take note.

### Lucky Jacques

Napoleon's ghost must be smiling on the European Bank for Reconstruction and Development's choice of Jacques de Larosière to succeed Jacques Attali as its president.

After all, Bonaparte's main criterion for choosing generals was that they must be lucky, and, unlike his predecessor, the new president looks to be fortunate even in his misfortunes.

Witness the effect on the media of his recent arrival at the IMF annual meeting in an ordinary Washington DC taxi. The press applauded it as an admirable contrast with Attali's love of



The Gerry Adams voice-overs have dried up

limousines and private jets. Alas, it now transpires that the cab journey was not a deliberate symbol of the dawning of a new age of austerity at the bank. The IMF had in fact laid on a limo to collect de Larosière at Dulles airport, but the chauffeur failed to recognise the former Banque de France governor and drove away without him.

Privately, he was not amused.

### Late rise

Dark counsels prevailed at Westminster as Britain's parliamentary legislators tackled

the public relations problem of voting themselves a 2.7 per cent increase for each of the next two years during a pay freeze for the likes of doctors, teachers and nurses.

Aware that the frozen might be somewhat less than overjoyed at the idea of their elected representatives' salaries rising at twice the rate of inflation, the MPs delayed the vote until the last possible hour of the night. "Keeps it off the evening news bulletins, you understand," confided one of John Major's none too hard-up supporters.

### Kohl shoulder

Chancellor Helmut Kohl needs all the help he can get when it comes to sewing west and east Germany back together again. But there is one worthy endeavour with which he is unlikely to have much luck.

Launched today in Bonn, the National Foundation for Germany is the brainchild of two men who rank among Kohl's most seasoned political rivals - ex-chancellor Helmut Schmidt, now displaying almost Bismarckian cunningness at the age of 74, and Kurt Biedenkopf, the prime minister of the east German state of Saxony.

Biedenkopf may be a member of the chancellor's own party, but he shares with Schmidt the belief that Kohl's blind spot over the

extraordinary cost of unification has greatly exacerbated the country's problems. Mere mention of Biedenkopf's name has been known to send Kohl puce with indignation.

The foundation, to be based in Weimar, will specialise in that worthy German occupation of organising debates and study groups to ponder the country's future.

Schmidt, who has fairly piled up the cash since leaving the chancellorship 11 years ago thanks to the success of his books, is putting DDM into the organisation.

Similar contributions are expected from the likes of Hermann Josef Abs, former chief executive of Deutsche Bank, and Gerd Bucerius, founder of the newspaper Die Zeit.

A fund-raiser in Berlin at the end of the month aims to swell the coffers further.

No surprise that it is president Richard von Weizsäcker rather than the chancellor hosting the occasion.

### Well suited

A reader who opened his charity gala programme recently to find adjacent ads for Skitchley and Slaughter & May remarks that, while he knew solicitors took their clients to the cleaners, he was not aware that they normally specified which ones.











## INTERNATIONAL COMPANIES AND FINANCE

## SBC forecasts 20% climb in full-year net income

By Ian Rodger in Geneva

SWISS Bank Corporation (SBC), the country's third-largest bank, said operating income in the first nine months of 1993 was "substantially ahead" of that in the same period last year. No figures were given.

Mr Georges Blum, chief executive, said business continued to be strong in October. He anticipated a 20 per cent rise in net income in the full year against last year's SF1.01bn (\$673m), in spite of continuing high provisions for bad loans.

The forecast appears modest considering the bank doubled net income, to SF715m, in the first half, and in comparison to the much higher growth rates anticipated at rivals Union Bank of Switzerland and Credit Suisse. However, SBC's full-year 1993 net income was

boosted substantially by a SF755m extraordinary profit on the sale of an Austrian electricity utility.

Mr Blum also announced a reorganisation of the bank's senior management and a restructuring of its Swiss branch network. Competition in Swiss retail banking has intensified since Credit Suisse acquired Swiss Volksbank last spring.

Mr Blum said SBC, which has been pushed into third place by the Credit Suisse deal, aimed to gain market share and to cut costs by about SF100m a year through the restructuring.

SBC said the most important factor in its strong third-quarter performance was the buoyancy of international stock markets.

Consolidated revenues from financial and trading operations in the first three

quarters more than doubled, due mainly to active securities trading and the rapidly expanding volume of interest-rate derivatives.

On the other hand, revenues from foreign exchange trading dropped following the widening of the fluctuation margins within the European Monetary System in August.

Net commission income improved substantially, with strong growth in earnings from brokerage and syndications, as well as in administration and custodian fees. Net interest income remained disappointing.

Total assets of the parent company at the end of September stood at SF175.5bn, 1.5 per cent lower than at the end of June. Loans outstanding dropped 2.5 per cent during the quarter to SF102.8bn, but securities holdings jumped 23.3 per cent to SF20.5bn.

## Paris to consider Renault sale timetable

By John Riddling in Paris

THE FRENCH Government could give a clearer timetable for the privatisation of a merged Renault-Volvo group as part of its attempts to reassure Volvo shareholders opposed to the deal, government sources indicated yesterday.

This could involve the issue of a letter or a public statement about the timing of the privatisation, or the placing of Renault on the next list of companies to be sold-off as part of the French government's plans for 21 publicly-owned groups.

The four companies on the current list - Banque Nationale de Paris, Rhone-Poulenc, Elf-Aquitaine and Banque Paribas - are expected to be sold by early next year. BNP has already been successfully privatised and Rhone-Poulenc is due to be sold within the next few weeks.

Greater certainty about the timing of the privatisation of a combined Renault-Volvo group is one of the principal demands of Volvo shareholders opposed to the deal. Increased opposition to the merger from some Volvo investors has forced the company to postpone until next month a vote on the deal.

The French government has said it plans to privatise the combined group as quickly as possible, with a target date during the second half of next year.

It still maintains it is impossible to give a precise date for the privatisation because conditions in the automotive and financial markets must be taken into account. However, Renault's inclusion on the next list of privatisation candidates could help assuage shareholder fears. No decision has been taken on when the next list of privatisation candidates will be issued.

The second principal concern of rebel Volvo shareholders - the golden share to be retained by the French government after privatisation - is still described as non-negotiable by French officials and Renault.

## Daimler-Benz shrugs off shortfall

By Christopher Parkes in Frankfurt

LOSSES at Daimler-Benz, the German automotive, aerospace and electrical engineering group, deepened to around DM2bn (\$1.15bn) in the first nine months of this year.

The group, however, yesterday forecast a clear improvement in the closing quarter, and claimed the positive trend would continue into 1994.

The group attributed the expected progress to the "positive sales situation" for Mercedes-Benz cars, and the effects of this year's hefty provisions for restructuring and 44,000 job cuts.

The DM2bn loss, calculated according to US accounting rules adopted for Daimler's recent listing on the New York Stock Exchange, includes a charge of DM1.5bn. The first-half deficit, on the same basis, was DM940m.

Under German accounting standards, the group made a net loss of approximately DM180m in the first three quarters, after a DM168m profit at the halfway mark. Precise figures will be published on December 14, the company said.

Analysts, still digesting Tuesday's hints of a dividend cut from Daimler chairman, Mr Edzard Reuter, were puzzled

by yesterday's figures and promises of improvement. However, most still assumed a group loss of around DM2bn for the full year.

Observers said the June introduction of the C-Class Mercedes car would bolster volume sales, but that its relatively low price - unchanged from its predecessor's - would do less for profits.

Overall demand in the European car market is not expected to pick up before mid-1994.

Meanwhile, rumblings of discontent over closures and job losses continued among the group's workers. A leading employee representative said yesterday the management of

the Deutsche Aerospace (Dasa) subsidiary had chosen a "confrontation strategy". He demanded the scrapping of a plan to close six factories and other sites.

Mr Erwin Hilbrink, a member of the Dasa supervisory board, claimed the company had withdrawn an offer to discuss possible alternatives to the closures.

Mr Reuter's veiled suggestion of a dividend reduction, apparently made to demonstrate that shareholders should share some of the sacrifices demanded of the workforce, weighed down Daimler shares yesterday. The stock shed DM5 to close at DM743.

## Akzo posts first rise this year

By Ronald van de Krol in Amsterdam

AKZO, the Dutch chemicals group, reported a small increase in third-quarter net profit before extraordinary items. It was the company's first quarterly rise posted so far in 1993.

Net profit before extraordinary items rose to F116m (\$99m) from F112m a year earlier, on turnover up 3 per cent at F1.41bn. The company is to pay an unchanged interim dividend of F1.50.

Akzo took F155m in extraor-

dinary charges in the third quarter, mainly to pay for the recent spinning off of loss-making businesses into joint ventures with other companies. If extraordinary charges are included, net profit fell to F113.9m from F112.1m.

Mr Syb Bergama, Akzo's finance director, said fourth-quarter net profit before extraordinary items was also expected to show a rise.

"We may have to show further extraordinary losses in the fourth quarter. If so, they will be lower than in the third quarter," he said.

He described third-quarter operating profit, which was steady at F128m, as "not unsatisfactory", given current economic conditions.

Akzo's chemicals, coatings and pharmaceuticals businesses all posted increases in operating profit but the group's fibres business fell into an operating loss of F132m from a profit of F16m in the same quarter of 1992.

Mr Bergama said Akzo had profited from economic revival in the US and from the rise of the dollar. In Europe, however, it saw no signs of recovery.

## BHF-Bank ahead 14% to DM229m

By David Waller in Frankfurt

BHF-BANK said yesterday group operating profits rose by "a good 14 per cent" in the first nine months of the year, to DM229m (\$135.5m). As is usual for German banks, the increase is calculated with reference to three-quarters of last year's profits.

Partial operating profits, which excludes profits from own-account trading, for the Frankfurt-based merchant bank rose 29 per cent while the group's total assets were up 17 per cent to DM65bn.

The bank attributed this to relatively strong asset expansion in low-risk sectors. Group personnel and materials costs increased by only 7 per cent. It is likely the results have benefited from healthy trading gains in the buoyant German equity and bond markets.

## Restructure at FLS

FLS Industries, supplier of equipment to the cement-making industry, is being restructured. The move will increase group turnover by 18 per cent, writes Hilary Barnes in Copenhagen.

Aalborg Portland Holding, a building materials group, is to become a part of FLS. Turnover should rise by DKr2.2bn to DKr4.3bn (\$2.09bn) on the basis of 1992 accounts.

## Sainsbury unveils discount war and grocery slowdown

Guy de Jonquieres on a strategy to address the City's doubts

J SAINSBURY, Britain's largest supermarket chain, yesterday shook the food retailing sector by unveiling a two-pronged strategy to deal with what it admitted were big - and possibly long-lasting - changes in the country's grocery market.

The group's most dramatic step has been to lower the prices of 300 popular own-label lines, which account for about 10 per cent of turnover. In addition, it has signalled a shift in direction by admitting that its core UK grocery business will expand more slowly.

Some observers were surprised at the vigour of Sainsbury's price-cutting initiative. Its first-half sales and profits suggest it has been little affected by discount competition.

But Mr David Sainsbury, chairman, said an opportunity to expand own-label sales had been created by recent decisions by rival chains, such as Tesco, to switch marketing emphasis from quality to low

prices. Sainsbury's move reflects growing confidence in the strength of its own brand and the quality of its own-label lines. These account for 57 per cent of its packaged grocery sales, the highest of any UK supermarket chain.

The shift of approach follows a reassessment of priorities in the year since Mr Sainsbury became chairman. His management style is more open and less autocratic than that of his predecessor, his cousin Lord Sainsbury.

He is also more ready to acknowledge doubts in the City about the prospects for grocery retailing. "Clearly there are worries about the sector," he said in an interview. "Anyone who said there was not an issue about discounters, about warehouse clubs, about how far development can go, would not be living in the real world."

Mr Sainsbury claimed to be unworried by the threat from US warehouse clubs, such as Costco, which last month

defeated a legal attempt by Sainsbury's, Tesco and Argill to prevent it opening outlets in Britain.

He said warehouse clubs relied on a "fragile" trading formula, and Sainsbury's had learned much about competing with them from Shaw's, its US supermarket chain.

Irrespective of conditions in the UK market, Mr Sainsbury said "the logic of the business" would drive Sainsbury's to become more international in the next five years, with a strong emphasis on expansion in the US. As much as 20 per cent of group turnover could come from overseas by the decade's end, compared with 11 per cent last year.

Its experience with Shaw's had convinced Sainsbury's that it could successfully transfer its expertise abroad. Mr Sainsbury said the group would prefer to grow organically, rather than by acquisition, and to expand into markets contiguous with Shaw's base in New England.

## Queens Moat row intensifies

By Andrew Jack in London

THE TWO firms of chartered surveyors under scrutiny for valuing Queens Moat Houses' assets at figures that differed by nearly \$500m (\$740m) used the same basis to prepare them, the company said yesterday.

Both Weatherall Green & Smith and Jones Lang Wootton compiled their valuations on an open market, willing seller basis, Mr Andrew Coppel, QMH's chief executive said yesterday.

Weatherall produced a final valuation of £1.35bn for the 1992 accounts. Within four months, Jones had submitted an alternative figure of £861m based on the same financial information.

The details will add to the controversy following the release of QMH's restated 1991 and 1992 figures, which has triggered an examination of the two firms' valuation certificates by the Royal Institution of Chartered Surveyors.

Mr Barry Clarke, RICS assistant secretary general, said a decision was expected "within days" from its assets valuation standards team.

QMH issued a statement yesterday and wrote a letter to RICS clarifying the position. It said Weatherall had prepared a 1991 valuation of £2m and a draft valuation for 1992 of £1.86bn. The latter was presented to banks in April this year and did not taking into account the changed circumstances of the group.

At the board's request, Weatherall supplied a revised figure in May of £1.35bn, qualified because it was based on unaudited financial information. In June the board commissioned Jones to produce a new valuation. Its £861m figure was delivered in September and accepted by the board.

When asked whether the board was tempted to encourage the surveyors to produce a lower valuation figure, Mr Coppel replied: "Absolutely not. It would not have been in shareholders' interests to minimise the valuation."

It also emerged yesterday that Mr Donald Jackson, who used to work for Bird Luckin, QMH's former auditor, carried out tax work for the company after retiring.

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- The economic challenge of the new Government

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This Notice is important and requires the immediate attention of holders of Bonds. Holders are in any doubt as to the action they should take, they should consult their stockbroker, lawyer, accountant or any other professional adviser without delay.

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#### NOTICE

TO the holders of those of the  
**U.S. \$200,000,000 4 per cent  
Convertible Bonds 2003**  
of the Issuer presently outstanding  
(the "Bondholders" and the "Bonds" respectively)  
Conversion Right Expiry Date: 22nd November, 1993  
Redemption Date: 30th November, 1993

The attention of Bondholders is drawn to the Notice published by the Issuer in the Financial Times on 15th October, 1993 notifying Bondholders of the early redemption on 30th November, 1993 of all the outstanding Bonds not converted prior to that date.

NOTICE IS HEREBY GIVEN to the Bondholders that the last date on which they can exercise their rights of conversion of Bonds into fully paid shares of nominal value Ptas 500 each of the Issuer will be 22nd November, 1993.

The attention of Bondholders is drawn to the Conditions endorsed on the Bonds and, in particular, to Condition 6 which contains further details regarding conversion. This notice is given in accordance with Condition 6(A) and Condition 14 of the Bonds.

Telefónica de España, S.A.  
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#### ALBANIA

**CRITICAL IMPORTS PROJECT INDIVIDUAL PROCUREMENT  
NOTICE INVITATION FOR BIDS**  
IDA CREDIT 2404 - ALB Contract Name - No:  
MOH/181/EIS/93

The Government of Albania has received a credit from the World Bank towards the cost of the Critical Imports Project and now invites sealed bids from eligible bidders for supply of the following items through International Competitive Bidding under World Bank Procurement Guidelines:

The Project Implementation Unit now invites sealed bids from eligible bidders for furnishing the following:

Item 1, 35 units S seats 4 WD diesel vehicles, jeep type  
Item 2, spare parts for above vehicles

Cost of bidding documents: USD200. Bid submission deadline and public bid opening date: December 20, 1993, 12.00 Midday.

Bidding Documents are now available from the Project Implementation Unit, Ministry of Finance and Economy, and can be obtained from the same on submission of a written application and upon payment of the mentioned non refundable fee into the account no. 4561/107/01, maintained by the PIU at the National Commercial Bank of Albania, Tirana-Albania.

Bids will be opened in the presence of those bidders' representatives who choose to attend at midday 12.00 on December 20, 1993 at the Project Implementation Unit, Ministry of Finance and Economy, Tirana - Albania.

Further information can be obtained from:  
THE WORLD BANK CRITICAL IMPORTS  
PROJECT IMPLEMENTATION UNIT, TIRANA - ALBANIA

Mr. Agim Hado  
Phone: +355-42-27938  
Fax: +355-42-27941/Tellex: 2146 PIU AB

## Molson edges ahead in second quarter

By Bob Gibbons  
in Montreal

MOLSON, the international brewing, special chemicals and hardware retailing group, saw profits edge ahead in the second quarter. The group saw its domestic market share slip as a result of aggressive pricing in the discount beer sector. The group's first half results were flat.

It said, however, that Molson Breweries remained the market leader in Canada and was fighting back with new products and expansion in the US.

Profit for the September quarter was C\$37.2m (US\$28.5m), or 63 cents a share, against C\$36.4m, or 60 cents, a year earlier on revenues which fell to C\$769m from C\$811m.

First half profit was C\$74m, or C\$1.25, against C\$74.8m, or C\$1.26, on revenues which slipped to C\$1.54bn from C\$1.6bn.

Total domestic beer sales rose just under 1 per cent in the first half, but Molson's market share slipped to 48.6 per cent from 50 per cent.

The company retailed with new low-price plans and says it has more new products on the way.

The group's share of brewing profits in the first half was C\$74m, down 24 per cent, mainly due to the deal with Miller Brewing of the US which this year took a stake in Molson Breweries.

Molson's chemical businesses improved and retailing performed well.

In specialty chemicals, Diversy's operating profit rose 12 per cent to C\$43.2m in the first half on sales of C\$681m, up 3 per cent. European operations were strong, except in Spain.

US cleaning chemicals were marginally profitable, against a loss last year, but Canadian operations improved significantly and Latin America and Asia Pacific also strengthened.

Malsban, the retailing group, posted sales up 15 per cent, and operating profits of C\$19.3m against C\$9.2m. The new megastores were performing well.

## Banc One to acquire Liberty National

By Richard Waters  
in New York

BANC ONE, one of the US's most ambitious regional banking groups, is to acquire Liberty National of Kentucky in an all-stock deal which yesterday was worth \$785m.

The takeover would strengthen the group's presence in northern and western Kentucky and southern Indiana, where Liberty National has 94 offices.

It also marks the growing pace of consolidation in the US banking industry, which has seen regional banking groups move to strengthen their presence in state banking markets. Banc One's shares fell 1 1/2% on yesterday's news, to \$36 1/2, on fears that the deal would dilute earnings. The shares later recovered to \$37 1/2, though they were still trading at a low for the year.

Liberty National had assets of \$4.7m at the end of September, compared with \$76.5m at Banc One, which numbers among the US's top 10 banking groups.

Banc One has assets of \$1.7m in Kentucky, and claims a dominant market share in Lexington, the state capital. Liberty National maintain it has a 40 per cent market share in Louisville, on the border with Indiana.

"Combined, these two affiliates will become the largest banking company in Kentucky and will be the only one serving all the major markets," said Mr John McCoy, chairman and chief executive of Banc One.

Shareholders in Liberty National will receive 0.8421 of a share in Banc One for each share held, putting the deal at \$785m at yesterday's share price. If the Banc One share price rises above \$41.57 during a set period, they will receive stock worth \$35, putting the value of the deal at \$890m.

## New chief at Canadian regulator

By Robert Gibbons

MR Edward Walizer, chairman of the Ontario Securities Commission, has promoted Mrs Brenda Eprie, 39, chief accountant, to the top staff position of executive director.

Mrs Eprie joined the OSC, Canada's leading regulatory body for the securities industry, in 1983. She succeeded Mr Joseph Oliver, who has joined an investment firm. Mrs Eprie is the first woman to be named executive director, a post normally filled from the investment or legal communities.

She will head all seven divisions' review operations for potential rationalisation and later examine the regulator. She has played a key role in developing capital adequacy standards and improving the quality of annual reports.

Telegraph, Canada's overseas telecommunications group, 19.7 per cent owned by BCE, recorded a third quarter net profit of C\$49.5m (US\$15.5m), or 33 cents a share, up from C\$15m, or 27 cents, on revenues of \$381m, up 22 per cent. Nine-month profit was C\$147.9m, or 79 cents, compared with a loss of C\$68.5m, or C\$1.56, after special charges.

## Repap reduces losses with firmer pricing

By Frank McGurty in New York

REPAPE Enterprises, one of the US's most ambitious regional banking groups, reduced third quarter losses, thanks to firmer pricing and increased efficiency at its Canadian and US mills. The lower Canadian dollar and lower interest rates helped, writes Robert Gibbons.

The pre-tax loss was C\$32.2m (US\$24.6m), down from C\$61m a year earlier. Revenues rose 7 per cent to C\$809m, with coated paper and construction timber showing good gains, but market pulp remained. The nine-month pre-tax loss was C\$103m, against C\$171m.

## Reader's Digest stages rebound

By Frank McGurty in New York

WALL Street took heart yesterday from an announcement by Reader's Digest that its struggling US books and home entertainment business had showed signs of rebounding.

In early trading the stock was 1 1/2% ahead at \$42 1/2, even though the news came against the backdrop of a 7 per cent decline in net income, lower revenues and a sharp downturn in operating profits during the three months to September 30.

The company said "early reports" indicated that changes in the marketing strategy for

its US book operation were succeeding in returning its growth rate back to "historic levels" of about 10 per cent.

It added that it would eliminate a further 200 jobs to bring domestic "staffing levels in line with business activities". In June, 250 redundancies were announced. After the cuts are fully implemented, the company will employ about 2,050 in the US and 7,200 worldwide.

With the share price near its 52-week low, investors appeared willing to let the company's "staffing levels" exceed analysts' forecasts of about 50 cents, in addition to the strength of the US dollar, profits suffered from increased promotional spending in international markets.

The company, a leading publisher of magazines and books, blamed unfavourable changes in currency exchange rates for the 7 per cent decline in revenues to \$677.2m, and a 23 per cent fall in operating profits, to \$63.2m. If currency changes were excluded, revenues would have shown a 6 per cent rise.

In the event, net income fell to \$62.6m, compared with \$67.6m in the first quarter of 1992. Earnings per share worked through at 54 cents, exceeding analysts' forecasts of about 50 cents, in addition to the strength of the US dollar, profits suffered from increased promotional spending in international markets.

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## Snapple mixes an explosive fruit cocktail

By Karen Zagor in New York

A COMPANY which turns in operating income growth of 230 per cent on revenue growth of 130 per cent should expect to hit the financial headlines. But not when that company is Snapple Beverage, the New York-based fruit juice and iced tea maker.

In the 11 months since it went public, the company has become something of a Wall Street legend. Once an obscure regional brand, Snapple has seeped into the American consciousness and on to store shelves, sending sales soaring.

It has turned up in the refrigerators of television show characters and featured prominently in this summer's hit film *Sleepless in Seattle*. A recent fashion section in The New York Times magazine referred to the "Snapple

set... who crave exotic juices the way another generation once craved quiche". According to the Wall Street Journal, the term Snapplemania has entered Wall Street's lexicon as the definition of a stock which is wildly overpriced.

The company's stock has performed erratically, trading as high as \$29 1/2 (adjusted for a September stock split) before dropping to \$23. Shares climbed 1 1/2% to \$24 1/2 yesterday, after the company posted its third quarter earnings of \$26.5m, or 22 cents a share, up from \$7.5m, or 6 cents, last year on a pro forma basis.

Revenues rose to about \$113.7m in the quarter from \$86.9m last year.

To put these numbers in perspective, Snapple posted revenues of only \$13.3m for the whole of 1992. In 1991, the year before it went public, revenues had risen to \$95m. Analysts

expect revenues of more than \$600m this year.

Snapple's explosive performance has left investors wondering whether the company is another Ben & Jerry's in the making - a company which translated its overnight success into a long-running reliable performance - or whether it is merely flavour of the month, doomed to fall as dramatically as it has risen.

The company attributes its strength to "beverages which appeal to consumers seeking great tasting, natural products", and Snapple doubtless shaking some of the nation's thirst for seemingly healthy non-alcoholic drinks.

Sales of these drinks - dubbed New Age beverages by Wall Street analysts - are rocketing. In the ready-to-drink iced tea category alone, sales are expected to climb 70 per cent this year to \$350m, according to some industry experts.

Traditionally, Snapple relied on word-of-mouth praise to propel sales rather than expensive advertising campaigns. This worked when its main market was confined to the New York area.

But it has expanded enormously, and with 52 beverage lines and a presence in every state in the nation, the company is using more mainstream methods of promotion. This year it launched its first national advertising campaign - at an estimated cost of \$6m.

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anti-abortion group.

The KKK rumour is particularly ironic given that Snapple's founders have described themselves as "three Jewish boys from Brooklyn". In a letter to consumers, the company said: "We are not involved in any way whatsoever with the KKK, Operation Rescue or any other type of pressure group or organisation, period."

Perhaps more worrying are charges that the Food and Drug Administration is looking into Snapple's "all natural" claim on some of its labels and the California health services department is questioning the "brewed" label on its iced teas.

Even if these concerns come to naught, the Snapple craze could fizzle out. But for the moment US consumers seem to be saying it tastes good enough to keep profits growing.

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(the "Senior Notes")

Notice is hereby given that, in accordance with Condition 7(b) of the Senior Notes, The Venezuela Collateralised DCB Corporation I (the "Issuer") will redeem U.S. \$41.67 principal amount of each U.S. \$1,000 Original Principal Amount, of which U.S. \$208.93 is outstanding, of each Senior Note, plus accrued interest of U.S. \$1.51, on the Senior Notes Call Date falling on November 22, 1993. This amount is 4.1667% (1/24th) of the Original Principal Amount of each Senior Note and aggregates U.S. \$3,125,000 for all the Senior Notes. Payment of such principal amount, together with such accrued interest, will be made, in the case of Bearer Senior Notes, upon surrender of the relevant Tikon (Tikon No. 6) and otherwise as provided in the Conditions of the Senior Notes.

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By: The Chase Manhattan Bank, N.A.  
Principal Paying Agent  
November 4, 1993

## Notice given by Newscorp Finance NV in relation to Newscorp Finance NV 200,000 3% Exchangeable Guaranteed Redeemable Preference Shares due 2001 (the "Preference Shares")

Notice is hereby given to holders of Preference Shares in Newscorp Finance NV (the "Issuer") that the Issuer will redeem all outstanding Preference Shares at par together with accrued dividend on 3 December 1993.

November 4, 1993, London  
By: Citibank, N.A. (Issuer Services)

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## INTERNATIONAL COMPANIES AND FINANCE

## Forex losses at Ansett keep TNT in the red

By Nikki Tait in Sydney

TNT, the troubled Australian transportation group, yesterday told shareholders that it made a loss after tax and abnormal items of A\$33.2m (US\$22.4m) in its first quarter to end-September. In the corresponding quarter of 1992, the group reported a A\$68.1m deficit.

The red ink in the latest three months, however, was mainly due to abnormal charges, which totalled A\$35m, compared with A\$49m a year ago.

These, the company said at its annual meeting in Sydney, were "almost wholly" due to unrealised foreign exchange losses incurred by the Ansett airline group. Ansett, a predominantly domestic carrier, is owned jointly by TNT and Mr Rupert Murdoch's New Corporation.

On a consolidated basis - that is, excluding companies in which TNT holds no more than a 50 per cent interest - there was a small A\$43.6m profit, compared with a A\$44m loss in the first quarter of 1992. Meanwhile, ahead of abnormal items

and tax, TNT made a first-quarter profit of A\$23.4m, up from just A\$2m last time.

Mr Fred Miller, TNT's chairman, told shareholders that results from many parts of the group were improving. However, TNT admitted that a couple of trouble-spots continue to dog the group - notably the Spanish business, where the first-quarter loss was larger than last year and worse than budget, and CD Express Worldwide, owned jointly by TNT and five national post offices.

The latter, said Mr Miller, has budgeted to halve its 1992/3 loss in the current year, and reach break-even by mid-1995.

At the lengthy annual meeting, directors faced tough questioning from some shareholders, although many seemed supportive of the board's current strategy.

Mr Miller added that the group hoped to be able to announce new board appointments by early 1994; it lost half a dozen members this summer, when a boardroom split occurred, and Sir Peter Abeles - along with a band of directors who backed him - severed ties with the company he built up.

## Indians protest foreign buying spree

Stefan Wagstyl in New Delhi and R.C. Murthy in Bombay on special discounts

INDIAN entrepreneurs are protesting at the sight of foreign multinationals buying stock in their Indian subsidiaries at a fraction of the market price.

Taking advantage of rules designed to tempt foreign groups back into India, over 30 groups have increased their stakes in their Indian units, at discounts of up to 50 per cent of market prices.

Colgate Palmolive, the US toiletries group, bought stock in its Indian affiliate at a 90 per cent discount to the market. Birla, the UK oil company which controls Castrol, secured an 89 per cent discount on shares in Castrol India; and ABB, the Swiss-Swedish engineering combine, bought shares in ABB India at a 78 per cent discount.

Indian business families claim this is unfair because they, too, would like to buy their stock at a price/earnings multiple of 15 times earnings - compared with a market average of 30.

The multinationals seized their chance and arranged for their subsidiaries to sell them cut-price shares. The discounts were sometimes far greater than the Indian authorities had expected, because prices were determined by the previous year's profits - low profits meant a low price.

The finance ministry did not object, since it was keen to attract the multinationals back to the country and the sums involved were modest - generally less than US\$10m. The share issues were subject to approval by shareholders owning at least 75 per cent of the company.

But there were few objections

The origins of the argument lie in the 1970s, when multinationals were forced to cut stakes in their Indian affiliates to 40 per cent or less - often at fire-sale prices.

In 1991, when the government raised the limit to 51 per cent as part of the liberalisation programme, foreign companies were slow to buy back their shares because prices were high.

because most shareholders thought foreign companies that increased their stakes might also bring other benefits to their Indian subsidiaries - and so bring value to shareholders.

The Indian Companies Act permits such preferential issues to any shareholder, whether Indian or foreign, as long as it is approved by shareholders with 75 per cent of the stock. And some

finance ministry, the institutions are likely to examine future proposals for preferential issues more closely. At the ministry, some officials believe that foreign groups deserve special treatment because of the enforced losses they suffered in the 1970s.

They argue Indian business families do not deserve special protection - any more than founding families in the US and other developed countries are entitled to maintain control through preferential share issues.

However, these views are not unanimous. Other officials believe the ministry should not be over-accommodating to foreigners at a time when critics of government economic policy - including the opposition Bharatiya Janata Party, the right-wing Hindu party - accuse ministers of favouring foreigners at the expense of Indian companies.

Indian businessmen say some techniques available in other countries are banned in India, such as using shares as security for a bank loan or issuing non-voting stock.

Mr Onkar Singh Kanwar, managing director of Apollo Tyres, a leading tyre-maker in which the founding family holds about 19 per cent, says: "Foreign companies have an unfair advantage over us."

One way of ensuring fairness would be to amend the Companies Act and ban altogether the issue of shares on preferential terms to favoured shareholders.

Given this possibility, it is not surprising that companies are rushing to complete their share issues lest they leave it too late.

**'If foreign companies are allowed to buy stock at a discount, so should domestic companies. We need a level playing field.'**

Last year, Indian financial institutions, which are controlled by the government and hold the bulk of Indian equities, agreed on a formula under which controlling shareholders could buy their stock at a price/earnings multiple of 15 times earnings - compared with a market average of 30.

The multinationals seized their chance and arranged for their subsidiaries to sell them cut-price shares. The discounts were sometimes far greater than the Indian authorities had expected, because prices were determined by the previous year's profits - low profits meant a low price.

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Indian groups have, like the multinationals, taken advantage of this rule. Tata, the country's largest combine, increased its holding in Tata Steel, its biggest operating company, from 8 per cent to 12 per cent about two years ago. Families which have recently raised stakes include the owners of Indian Rayon, a textile group (43 per cent discount to the market price), Vyssa Bank, a leading bank (97 per cent) and Nahar Shipping (55 per cent).

However, this wave of cheap issues has worried the financial institutions. Last week, they forced Mahindra & Mahindra, a vehicle maker, to amend plans for an issue of equity warrants which would have enabled the founding Mahindra family to buy stock at about Rs50 a share, compared with a market price of Rs270.

The institutions decided, in private meetings, that this was too cheap - but agreed to a price equivalent to about Rs120.

With the encouragement of the

## Flotations to raise A\$200m

TNT said it planned to float its Australian shipping unit and its local car auctioning service to make up a large part of the A\$200m (US\$135m) earmarked for asset sales in 1993-94, Reuters reports from Sydney.

Mr David Mortimer, managing director, said after the company's annual meeting that he

expected the Australian car logistics unit to be listed on the Australian Stock Exchange by the end of 1993, with details to be announced next month.

He said negotiations for the float of TNT Shipping and Development were expected to be complete by next February, 1994.

## Fletcher seeks NY listing

By Terry Hall

FLETCHER Challenge hopes to see both its ordinary and new forestry shares listed on the New York Stock Exchange by the end of the year, Mr Hugh Fletcher, the chief executive, said yesterday.

He was giving details of the planned issue of a new class of

Fletcher Challenge shares to be known as Forest Division shares. These are to be issued free to all shareholders, with one share being given for every four existing ordinary shares.

The shares will represent 50 per cent of Fletcher Challenge's interests in forestry plantations in New Zealand and Chile.

## Lion Nathan looks to Asia for further growth

LION NATHAN is looking to Asia for growth opportunities and is not planning further acquisitions in either Australia or New Zealand, the brewer's chief executive, Mr Doug Myers, said yesterday, Reuters reports from Auckland.

Mr Myers also said the group would "comfortably achieve" a profit of more than NZ\$200m (US\$110.94m) after tax and goodwill amortisation in 1994 against NZ\$155.86m in the year to August.

He said Australian and New Zealand markets were mature with little opportunity for growth. But beer markets were growing in Asia, Eastern Europe and South America.

Lion was looking at joint venture options in Asia and would concentrate its efforts on selling products to the other two markets rather than setting up breweries.

The company is evaluating a proposition to set up a brewery in South Korea with American brewer Adolph Coors, and is considering other proposals.

Lion, which bought brewing and hotel assets in August from S.A. Brewing for Australian \$25 million, said it will start selling the 105 hotels in the first quarter of 1994.

Earlier yesterday the company reported a bottom line profit of NZ\$32.1m for the year to August, up from \$20.8m.

## IBM and Kodak form service business

INTERNATIONAL Business Machines and Eastman Kodak of the US yesterday announced the formation of a jointly owned computer maintenance service business, writes Louise Kebbe in San Francisco.

Technology Service Solutions will provide services to owners of IBM workstations, personal computers and point-of-sale products used in shops.

It is expected to employ about 3,000 technicians, many of them transferred from IBM, will be based in Valley Forge, Pennsylvania.

The venture builds on an existing relationship between IBM and Kodak for the service of terminals located in shops.

## Asia Pacific Breweries buys rest of DB Group

By Terry Hall in Wellington

ASIA PACIFIC Breweries, whose main shareholders are Heineken, of the Netherlands, and Fraser and Neave, of Singapore, is to take control of New Zealand's second-biggest brewer, DB Group.

Until now DB Group has been controlled by a consortium of Asia Pacific Breweries and Brierley Investments, but APB said it plans to buy Brierley's 27 per cent stake in the financially troubled group for NZ\$115m (US\$64m).

Asia Pacific also said it was selling its 25 per cent shareholding in Australian hotel

group Austotel to Brierley for NZ\$38.33m. Brierley will then buy a further 50 per cent of Austotel, now held by DB Group, for NZ\$76.6m.

DB Group, formerly Magnum Corporation, has run up substantial losses in recent years, mainly due to its investment in Austotel and in Wilson Neill, owner of the Tasmanian brewery Cascade Group.

Brierley's chief executive, Mr Paul Collins, said Asia Pacific Breweries would bring to DB Group Heineken's expertise in brewing to further increase its quality, while Brierley's expertise would help rebuild Austotel to an "acceptable level of profitability."

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## LONDON STOCK EXCHANGE DEALINGS

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Stocks shown are selected by the Stock Exchange from among those companies and securities whose prices do not appear in our daily London Share Service.

The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. Thus, no dealing takes place in a stock, it will not be included in the following Saturday Dealings page.



11:12 p.m.  
new discovery  
Alaska North Slope



2:01 a.m.,  
gasoline drops 2¢ a gallon,  
Singapore



4:06 a.m.  
earth moves, 4.4 Richter Scale,  
Siberia



5:59 a.m.,  
bigger moves in  
Dubai cash market

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## US Treasuries ease ahead of refunding report

## Banker calls for more supervision of derivatives

## Generous pricing ensures a good reception for Catalonia

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100



## Acquisition of Eckardt is third continental European buy this year

### Siebert seeks £184.3m via rights

By Richard Gourlay

SIEBERT, the international controls and engineering group, yesterday launched a £184.3m rights issue to buy Eckardt, a family controlled business in Germany and the group's third acquisition in continental Europe this year.

The 1-for-10 issue is priced at 485p, a 14 per cent discount to the 555p at which the shares closed on Tuesday. Siebert's shares rose 9p yesterday.

Mr Barrie Stephens, chairman and chief executive, said Eckardt, which makes process automation and control systems, was being acquired because of its fit with the European operations of Foxboro, the US business bought three years ago for \$650m.

Eckardt is a well-known name in control engineering and was called by one analyst yesterday a "small European Foxboro". It will give Siebert an enlarged European manufacturing base and access to a bigger pool of German engineering expertise.

The company made a DM6.1m pre-tax loss in the year to December 31 1992 on sales of DM230.7m, after charging DM7m above the line for restructuring.

Mr Allen Yurko, managing director and chief operating officer, said he was confident Siebert could turn Eckardt into a significant profit and cash generator within 18 months and that there was scope to reduce costs substantially.

Siebert will be paying 1-for-10 rights was not practical or worth the cost, the advisers had said.

Gearing after the acquisition will be no higher than 28 per cent, but significantly lower after a fair value adjustment to reflect better a higher value of Eckardt's assets.



Allen Yurko (left) and Barrie Stephens: confident Eckardt could be a significant profit and cash generator within 18 months

DM212.6m (£85.1m), including the assumption of DM33.8m of debt. Initially the group will make a DM30m subscription for new Eckardt shares, which will give it control and substantially repay bank debt.

The German families, led by the Siebert family, which control Eckardt, have asked to receive the balance of DM179m next October.

Siebert is also repaying debt taken on earlier this year when it paid £27.3m to buy two controls companies, Eberle in Germany and Schmidt in Austria.

After the acquisition Siebert will be left with cash of about £72m which it will not be using to repay debt. Mr Stephens said Siebert was only currently looking at one other potential acquisition, a small European company in the controls field.

The group had not wanted to raise money via a placing, because that route denied some shareholders the opportunity to sell rights in the market. To have raised less than the amount implied by a

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## GEC will only bid for full control of Ferranti

By Paul Taylor

GEC, which has proposed a 1p-a-share bid for Ferranti, has told Ferranti's chairman Mr Eugene Anderson, that it is only interested in taking 100 per cent control of the troubled defence electronics group.

Mr Anderson, responding to a series of questions raised by Mr John Katz, who is representing some disgruntled Ferranti shareholders, said he had spoken again to GEC about the possibility of leaving current shareholders with a minority stake in a Ferranti which would be majority controlled by GEC.

"The answer was unequivocal," Mr Anderson said. "They will not bid for anything less than 100 per cent of the equity. They believe that they need this position in order to have the flexibility to take the actions necessary to reverse the deterioration of Ferranti brought on by its weak balance sheet and lack of liquidity."

There are growing signs that some of Ferranti's 48,000 individual shareholders are deeply unhappy with the GEC offer. This, together with Ferranti's complex share structure, has raised doubts over whether GEC will be successful in winning the backing of investors holding 90 per cent of the equity and raised hopes among some investors that GEC might settle for becoming the majority shareholder.

However, Mr Anderson made it clear yesterday that GEC has reiterated that it will only go forward with the bid "if it receives 90 per cent acceptance" - the minimum percentage required under company law to compulsorily purchase the rest.

Meanwhile Mr Katz has invited Mr Anderson to make a presentation to disgruntled Ferranti shareholders at a meeting he is planning to hold to discuss their campaign.

## Yorkshire-Tyne Tees TV warns of fall into loss

By Raymond Snoddy

YORKSHIRE-Tyne Tees Television, the big ITV contractor, warned yesterday that it was likely to report a loss for the year to September 30.

The formal announcement, which led to a 4p drop in the share price to 172p, confirmed persistent rumours that the advertising revenue for the year would be lower than previously expected.

It is clear that Yorkshire's airtime has been sold in a way that tries to pull forward revenue into the 1992-93 financial year by offering discounts.

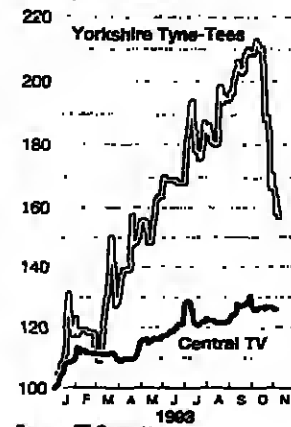
At a board meeting on Tuesday it was decided that as much as £8.5m to revenue should not be counted towards the 1992-93 revenues. At the same time its share of total ITV advertising revenue has dropped from 11.2 per cent to about 10.3 per cent. The target had been to boost it above 12 per cent, but this was always seen as very ambitious.

The pressure on Yorkshire has been on since the beginning of the year when the company started paying its bid price of £33.2m a year to the Treasury.

Ms Katherine Pelly, television analyst at stockbrokers Kleinwort Benson who issued a "sell" notice on Yorkshire on October 19, called yesterday for

### TV companies

Share prices raised



Source: FT Graphix

managerial changes at the top and said it would be "impossible" for the company to pay a final dividend.

There was no immediate sign yesterday that Mr Clive Leach, chairman and chief executive, planned to step down but there was still uncertainty over his long-term position.

The formal statement from Yorkshire, where Pearson, owner of the Financial Times, has a significant stake, said that the lower than expected advertising revenue and exceptional costs relating to previously announced closures "is

likely to result in the group reporting a loss" for the year.

Some City estimates of the loss head towards £20m although it is likely that Yorkshire has made a good trading profit and that pre-tax losses are unlikely to be higher than £5m.

The pressure to disclose the shortfall in advertising revenue flowed from the replacement of the Yorkshire advertising sales house, Media and Airtime Sales, with Laser, which took over formally on October 1.

Laser is a wholly owned subsidiary of London Weekend Television which earlier this year bought a stake in Yorkshire. It is believed that Mr Greg Dyke, the LWT chief executive and a Yorkshire director, refused to accept the additional revenue for the 1992-93 accounts.

The Yorkshire admission raises serious questions about how television advertising is sold in the UK and how the price is set.

Mr Tim Wootton, managing director of TSMs, the advertising sales house representing Central, Anglia and Ulster, said of Yorkshire's announcement: "This is horrific news in terms of the credibility of ITV as a whole. We are absolutely not in this position regarding any of our companies."

## Embattled ICD loses £4.9m

INTERNATIONAL Communication & Data, the marketing services company, yesterday showed the impact of its recent reorganisation reporting pre-tax losses of £4.9m for the 15 months to May 31 compared with profits of £1.13m for the

previous year, writes Catherine Milton.

The board does not recommend a dividend and says it will "strongly resist" resolutions to be put to shareholders at a special meeting requested by a boarding party representing 12 per cent of the shares.

The resolutions propose the removal from the board of Mr David Clural, chairman, Mr Ralph Elman, finance director, and Mr Daniel Unger, a non-executive. The three would be replaced by nominees of the boarding party grouped within P&B, a direct marketing company.

ICD made exceptional debits of £4.14m in provisions against trade debtors. ICD also booked a write-down on assets and wrote off £93,378 in goodwill following the sale of its interest in Database Group.

Sales rose to £10.6m (£9.55m). Losses per share were 8.51p compared with earnings of 2.12p.

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Finebury Trust	1.2	Dec 16	1.2	-	3.2
Jersey Phoenix	1.25	Dec 30	1.25	-	5.25
Kaystone Inc	10.5	Dec 10	10.5	15.5	15
Kitty Little S	2.5	Dec 13	2.5	-	-
M&S	2.5	Jan 21	2.2	-	8.1
Oceanic Cons	0.5	Dec 10	0.5	-	1.5
Sainsbury (J)	3	Jan 17	2.7	-	10
Southair Micro	1.1	Jan 7	1.5	-	1.5

10n increased capital, \$USM stock.

## Pittencrieff notes share rise

Pittencrieff, the natural resources and communications company, said yesterday it had "noted the movement in the share price... over the past three trading days", writes Peter Pearce.

Shares rose from 374p on October 27 to 479p yesterday, before settling back at November 2's close of 473p.

The company also noted the "rumours concerning its 54 per cent holding in its US subsidiary, Pittencrieff Communications (PCI), whose share price has also risen on Nasdaq in the last few days."

## Wigmore plans to raise £50m

By Philip Coggan, Personal Finance Editor

WIGMORE Property Investment Trust is attempting to raise up to £50m via a placing and offer-for-subscription of shares, at 100p, with warrants attached on a 1-for-6 basis.

The trust will be managed by Baring Investment Management and will use Baring, Houston & Sanders as property adviser.

Wigmore will aim to outperform the FTA Property Index by investing in shares and other securities of UK property

companies with market capitalisations of less than £250m.

The principal holdings will be in property investment companies, but there will be some holdings in development companies and up to 20 per cent of the fund can be invested in special situations, such as joint ventures.

The 10 largest investments in the initial portfolio are expected to be: City State Estates, Chesterfield Properties, The Ex-Lands, Hemmings Properties, London & Associated Investment Trust, Olives Property, Prior, Southern Property

Holdings, Tops Estates and Town Centre Securities.

Institutional investors and some property companies have agreed to subscribe for 19,30m shares in return for cash and/or securities.

In a separate deal, 3.06m shares are being subscribed for by property companies which have been given a cash election.

Under this arrangement, once sufficient funds have been raised, the property companies will receive cash, rather than trust shares, in return for their own shares.

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NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th October 1993 confirming the resolution of the shareholders of the above named company to wind up the company is now in force.

**LEGAL NOTICES**  
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AND  
IN THE MATTER OF  
THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th October 1993 confirming the resolution of the shareholders of the above named company to wind up the company is now in force.

**LEGAL NOTICES**  
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The full quarterly report is being posted to shareholders and copies are available from Roger Wilson, One Landmark Square, Stamford, CT 06901. Telephone (203) 361-0660



## COMPANY NEWS: UK

## Rhino pays £12.5m for Virgin Games Stores

By Paul Taylor

RHINO GROUP, the fast-growing computer and video games retailer, is paying £12.5m in cash to acquire Virgin Games Stores, the joint venture UK retailer owned by Richard Branson's Virgin Group and WFL Smith.

The purchase, which includes 23.5m for the stock, will be funded by Rhino through a 5-for-9 rights issue priced at 44p a share to raise £12.4m net. The deal will combine the two biggest specialist computer and video games store chains in the UK.

Rhino already has 34 stores, trading as Future Zone, while Virgin Games Stores has 29 in the UK and one in the Irish Republic. In the year to May 31, the Virgin operations, which had net assets of £4.3m, generated £2m in profits before central overheads on turnover of £24.3m.

The deal will enable the USM-quoted Rhino Group, launched 13 months ago when Mr Bev Ripley and Mr Terry Norris - former directors of Cityvision, the Ritz video hire shops operator - took control of JMD Group, to accelerate its own development plans which set a target of 130 stores in



Terry Norris, Rhino's managing director (left), and Bev Ripley: the two operations are a near perfect fit

three years. The purchase and the rights issue, which is fully underwritten by Panmure Gordon, are subject to shareholder approval at an extraordinary meeting on November 19.

Dealings in Rhino's shares, which were suspended on Tuesday at 584p pending the announcement, are expected to recommence on November 22.

Mr Ripley, Rhino's chairman, said yesterday that the two operations were "a near perfect fit" and would enable Rhino to have 75 specialist computer games stores operating in the important pre-Christmas trading period.

The deal will also allow the Virgin Retail division to concentrate on building the Virgin Megastore multi-product retail chain. Virgin's 21 existing Megastores already sell computer games in addition to music and videos.

In contrast, both the chemicals and protective equipment divisions continued to trade well. Blagden said it had identified further cost-cutting measures and a number of business initiatives to improve longer-term profitability.

At the interim stage, the company stressed the need for "prudent husbanding" of resources, in cutting the dividend from 4.5p to 1.5p.

## Blagden shares dive 26p after warning

By Gary Evans

SHARES IN Blagden Industries, the packaging and chemicals group, tumbled 26p to 138p yesterday after the company warned that profits for the current year were unlikely to exceed £2.5m.

The decline from the previous year's £7.63m reflects the intense competitive pressures on the steel drum business within the group's packaging division.

Blagden said trading conditions for the first half of 1993 had remained substantially unchanged from those of the second half of last year.

However, since the announcement in August of halved interim profits of £3m, prices of steel drums had fallen in Germany and this had led to significant price reductions across Europe.

The company added that with the extra burden of the increased price of steel (up about 4 per cent in the third quarter of 1993) operating margins had been eroded. This was, however, in common with its competitors in the European drum market, where Blagden is a leading player in an industry burdened by overcapacity.

Blagden said it had identified further cost-cutting measures and a number of business initiatives to improve longer-term profitability.

At the interim stage, the company stressed the need for "prudent husbanding" of resources, in cutting the dividend from 4.5p to 1.5p.

## Keystone assets jump

Net asset value per share of the Keystone Investment Company surged over the 12 months to September 30 1993 from 434.87p to 589.74p.

Net revenue increased to £2.92m (£2.18m), giving earnings per share of 20.49p (£15.14p). The dividend is stepped up to 15.5p (15p) with a final of 10.5p (10p).

## Morgan Grenfell Equity Trust to raise £24m

By Philip Coggan, Personal Finance Editor

MORGAN Grenfell Equity Income Trust, a UK investment trust, is attempting to raise about £24m, after expenses, via an offer for subscription of C shares.

The directors say that, in their opinion, "the UK economic outlook currently provides attractive opportunities for investment" and therefore "now is an appropriate time to expand the capital base of the company." The trust, which was floated in October 1991, was second in the UK income

growth sector over the year to November 1.

Issuing C shares is now common practice among investment trusts which want to expand their capital. The C shares will be convertible into ordinary shares after January 7, by waiting to convert until the proceeds are substantially invested, there is no dilution of the net asset value of existing ordinary shares.

Up to 25m C shares are on offer at 100p; the minimum investment is £1,000. Irrevocable undertakings to buy 8m shares have been received. The offer closes on November 23.

## Kitty Little purchase as profits double

SHARES IN Kitty Little Group rose 10p to 31p yesterday as the USM-quoted designer and manufacturer of consumer goods reported pre-tax profits more than doubled from £26,000 to £54,000 for the first half of 1993.

It also announced the acquisition of Samco, the market leader in branded sunglasses, for up to £2.85m, and a proposed share issue to raise about £2m to fund the acquisition and provide increased working capital.

Turnover for the period fell slightly to £2.45m (£2.69m).

Earnings per share worked through at 0.53p (0.05p) and the group is paying an interim dividend of 0.5p (nil), with a forecast final of not less than 1p.

Mr Graham Webster, chairman, said the acquisition should double group turnover, which, together with planned overhead savings, should have a profound impact on the group's future performance.

## NEWS IN BRIEF

**AUDAX PROPERTIES:** Pre-tax profits for half year to September 30 were £219,000 (£170,000 losses) after £145,000 gain (£267,000 loss) on disposal of properties. Earnings per share on investing activities 90p (£78p). Audax is wholly-owned subsidiary of Valne and Income Trust.

**GRASEBY** has sold Graseby Plastic Systems to Deco Industries for £2m (£1.3m) in line with its strategy of focusing its activities on its medical, product monitoring and environmental markets. Plastic Systems had £4.1m sales and \$0.3m pre-tax profits in 1992.

**MIMMET**, the Dublin-based environmental resource com-

pany, is to acquire Chartwell Forestry Services, an Irish forestry business, for £200,000.

**NORTH WEST Water** consortium has signed a £160m (£16.4m) contract with the Thai government to provide a waste water network and treatment facility for 700,000 people in central Bangkok.

The four-year design, build and operate contract is the first stage of the programme to tackle the city's pollution problems. The company and its partners - Siam Syntech Construction, Sino-Thai Engineering & Construction and OTV - overcame strong opposition from seven consortia to secure the contract.

## Oceana back in the black

THE OCEANA Consolidated Company, which has interests in stockbroking and finance, reported a pre-tax profit of £877,000 for the half year to end-September.

The outcome compared with a deficit of £155,000 last time and was struck on turnover up from £4.79m to £6.23m.

A maiden interim dividend of 0.5p is declared, payable from earnings of 7.28p per share (2.43p losses).

The directors said the improvement in profits reflected a continuing strong contribution from Charles Stanley, the stockbroker, its principal subsidiary.

Trading in the second half had opened on a firm note, the directors added, although it was too early to predict the outcome for the full year.

## Greenwich Comms loss at £65,300

Greenwich Communications, the USM-quoted supplier of satellite receiving equipment, reported a slight increase in pre-tax losses from £57,500 to £65,300 in the year ended August 31, 1993.

Turnover dropped from £421,700 to £361,800, while at the attributable level, after minorities, losses were cut to £29,700 (£23,000) or from 0.8p to 0.86p per share.

Mr Alfred Stirling, chairman, said that the Portuguese offshoot, Greenwich Satellite Portugal LDA, was still suffering from recession.

In addition, NEC had decided to withdraw its satellite receiving products during the year, but Greenwich was now awaiting the introduction of a new product at the end of the year.

Possible litigation from former director Mr J Carrad and his wife, relating to the company's investment in DRL Communications - now in receivership - had not progressed much further, Mr Stirling said. An extension of time had been granted to them, but full particulars of their claim had still not yet been served.

## FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related securities, picked from the sectors which best represent current market conditions. The service sets out to include certain "benchmark" issues within the space available, while still trying to maintain a broad spread of bond types and currency groups. Selections are reviewed regularly by the Financial Times and the International Securities Market Association.

## Lincoln House to eliminate debt through £2m placing

By Peter Franklin

LINCOLN HOUSE, the USM-traded home furnishings group, is to raise some £2m net of expenses via a placing and open offer and subscription.

The company is issuing 9.07m shares at 25p apiece. Of these, 8.07m have been conditionally placed - subject to the rights of shareholders to apply for their entitlement on a 1-for-2 basis under the open offer - and 1m are to be issued pursuant to the subscription.

The proceeds will be used principally to eliminate net borrowings and provide additional working capital.

Because the nominal price of the company's shares at 50p exceeds the 25p placing price, to enable it to proceed with the placing and avoid having two separately listed classes of shares, the company proposes a capital reorganisation.

The first stage of this will involve a sub-division of its shares into one new ordinary share with a nominal value of 10p and one deferred share with a nominal value of 40p. The resulting new ordinary shares will, for all practical purposes, have the same rights attaching to the issued ordinary shares of 50p each.

The deferred shares will be

valueless and no share certificates will be issued in respect of them.

In the second stage all the deferred shares will be cancelled for no consideration and the share premium account following the fund raising issue will also be cancelled.

The amount set free will be used to eliminate the deficit on the profit and loss account and to create a special capital reserve against which goodwill arising from any future acquisitions may be set off.

The company also proposes to adopt a new share option scheme to replace its existing executive scheme.

## LONDON INSURANCE MARKET INVESTMENT TRUST PLC

This advertisement is issued in compliance with the requirements of and has been approved by The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange") pursuant to Section 154(1)(a) of the Financial Services Act 1986.

This advertisement does not contain any information about London Insurance Market Investment Trust plc ("LIMIT") (other than the information set out below) and should therefore be read in conjunction with the listing particulars dated 3rd November, 1993 (the "Listing Particulars") which alone contain full details of LIMIT.

Application has been made to the London Stock Exchange for the undermentioned ordinary shares to be admitted to the Official List. It is expected that listing will become effective and that dealings in the ordinary shares will commence on Thursday, 18th November, 1993.

## LONDON INSURANCE MARKET INVESTMENT TRUST plc ("LIMIT")

(Incorporated in England and Wales under the Companies Act 1985 - Registered no. 2843390)

## Placing and Offer for Subscription

by  
SAMUEL MONTAGU  
and  
James Capel  
of

280,000,000 ordinary shares of 25p each  
at 100p per share  
payable in full on application

LIMIT is a new investment trust formed to provide investors with the dual opportunity of participating in the Lloyd's insurance market on a limited liability basis and of investing in a managed portfolio consisting predominantly of listed equities together with some sterling fixed interest securities.

Of the 280,000,000 ordinary shares which are the subject of the Placing and the Offer for Subscription (the "Offer"), 210,000,000 ordinary shares are being placed firm with institutional and other investors and 70,000,000 ordinary shares are being offered to the public pursuant to the Offer. The ordinary shares being offered pursuant to the Offer are also being conditionally placed with institutional investors by Samuel Montagu & Co. Limited ("Samuel Montagu") and James Capel & Co. Limited ("James Capel"), subject to recall for the purpose of meeting valid applications under the Offer.

The application list for the ordinary shares now being offered under the Offer will open at 10.00 am on Wednesday, 10th November, 1993 and may be closed at any time thereafter. Completed application forms must be returned to Lloyds Bank Registrars, Issue Section, PO Box 1000, 2nd Floor, Borsa House, 80 Cheapside, London EC2V 6EE so as to be received no later than 10.00 a.m. on Wednesday, 10th November, 1993.

Samuel Montagu is a member of the Securities and Futures Authority Limited. James Capel is a member of the Securities and Futures Authority Limited and the London Stock Exchange.

## Availability of Listing Particulars and application forms

Copies of the Listing Particulars and the application form will be available from the registered office of LIMIT, Barrington House, 59-67 Gresham Street, London EC2V 7JA, Samuel Montagu & Co. Limited, 10 Lower Thames Street, London EC3R 6AE, James Capel & Co. Limited, Thames Exchange, 10 Queen Street Place, London EC4R 1BL and Lloyds Bank Registrars, Issue Section, PO Box 1000, 2nd Floor, Borsa House, 80 Cheapside, London EC2V 6EE until the Offer closes on Wednesday, 10th November, 1993 and, for information purposes only, for an additional seven days until Wednesday, 17th November, 1993. Copies of the Listing Particulars and application form may also be obtained on request by telephoning 081 312 0809.

Copies of the Listing Particulars and the application form are also available from the Company Announcements Office, the London Stock Exchange, Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP, by collection only, for a period of two days from Wednesday, 3rd November, 1993.

4th November, 1993

## LONDON INSURANCE MARKET INVESTMENT TRUST plc

("LIMIT")

## APPLICATION FORM

Placing and Offer for Subscription by Samuel Montagu & Co. Limited and James Capel & Co. Limited of 280 million ordinary shares of 25p each at 100p per share payable in full on application. YOU ARE ADVISED TO READ THE LISTING PARTICULARS RELATING TO LIMIT DATED WEDNESDAY, 3rd NOVEMBER, 1993 BEFORE COMPLETING THIS APPLICATION FORM.

Please use block capitals

1	Forename(s) in full Mr, Mrs, Miss or title	FOR OFFICIAL USE ONLY	
	Surname	1. Form No.	
	Minor's forename(s) in full	2. Acceptance No.	
	Surname	3. Ordinary Shares allocated	
	Date of birth	4. Amount received	
	Address (in full)	5. Amount payable	
	Postcode	6. Amount returned	
2	I/We offer to subscribe	7. Cheque No.	
	ordinary shares		
	(or any smaller number of ordinary shares for which this application is accepted) at the issue price of 100p per share payable in full on application on the terms and conditions set out in this application form and the Listing Particulars dated 3rd November and subject to the Memorandum and Articles of Association of LIMIT.		
3	I/We attach a cheque or banker's draft for the amount payable to "Lloyds Bank Plc - s/c LIMIT" and crossed "s/c payee".		
4	Dated	Signature	
5	<input type="checkbox"/> Affix here your cheque or banker's draft for the amount in Box 3 made payable to "Lloyds Bank Plc - s/c LIMIT" and crossed "s/c payee".		

Complete Boxes 6 and 7 only when there is more than one applicant. The first or sole applicant should sign in Box 4 and complete Box 1. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signatures is required in Box 7.

6	Please use block capitals		
	Forename(s) in full Mr, Mrs, Miss or title	Forename(s) in full Mr, Mrs, Miss or title	Forename(s) in full Mr, Mrs, Miss or title
	Surname	Surname	Surname
	Address (in full)	Address (in full)	Address (in full)
	Postcode	Postcode	Postcode
7	Signature	Signature	Signature

## DELIVERY OF APPLICATION FORM

Send the completed application form together with the cheque or banker's draft by post or by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Issue Section, PO Box 1000, 2nd Floor, Borsa House, 80 Cheapside, London EC2V 6EE so as to be received by 10.00 am on Wednesday, 10th November, 1993.

47/11/93



## COMPANY NEWS: UK



Harry Kent, deputy chairman and one of the founders of Canadian Pizza which announced a flotation price of 200p

## Canadian Pizza to float with £34.5m valuation

By Catherine Milton

A PRICE of 200p a share was fixed yesterday for the flotation of Canadian Pizza, valuing the pizza crust maker at £34.5m, almost £5m more than estimated last month but £10m less than originally indicated by the company's advisers in September.

Mr Peter Woodall, managing director, insisted that a cost of £1m for the £22.2m issue represented value for money.

Advisers said Mr Harry Kent, deputy chairman of the company and one of its founders, as well as other shareholders, had been reluctant to see their holdings diluted "unnecessarily".

Partly for this reason a factory the company was planning to build in continental Europe would now be funded from cash generated internally and debt. This accounted for the fall of £10m from the first company valuation.

The Kent family, the largest shareholder, will have an 18 per cent interest after the float, a reduction from 19.5 per cent.

The second valuation discrepancy was a function of strong institutional demand for the shares.

Dealings in the shares are expected to start on Friday November 19.

On forecast pro-forma pre-tax profits of at least £3.5m (£2.21m) for 1993, the issue

price gives a notional p/a of 15. The board expects to recommend a final dividend of not less than 5p.

The total 5.9p dividend the directors would have recommended for the year ending December 1993 would give a gross yield of 3.7 per cent. Pro-forma earnings per share are 13.3p.

Of the 11.1m shares, 68 per cent are being placed firm with institutions and the balance of 32 per cent are being placed subject to clawback from the public offer for sale.

The last date for applications will be November 10.

### COMMENT

The curious saga of Canadian Pizza's varying market capitalization suggests management's awareness of the attractions of the business in an internationally consolidating food industry. The company's relatively high pre-tax margins - 14.5 per cent last year going on 17 per cent this year - makes its growing niche vulnerable to invasion by bigger rivals. CP's biggest customers are the stingy supermarkets which account for 50 per cent of sales. But 94 per cent of the company's profits come from crusts, a mere 12 per cent of a chilled pizza's retail selling price. The rating, at a 14 per cent premium to the sector excluding Unilever, represents a fairly full price which limits scope for any significant premium.

## ICI fails to agree BASF acrylics acquisition

By Daniel Green

ICI's efforts to build a Europe-wide acrylics manufacturing empire collapsed yesterday when talks over acquiring BASF's German acrylics business collapsed.

Parallel talks on the sale of ICI polypropylene capacity to BASF are unaffected, ICI said yesterday.

The two sides are understood to have disagreed over the valuation on the acrylics business, which has a turnover of about £60m a year.

Such chemical sector valuations are notoriously difficult especially during a recession: profits are low or negative, but recovery is in prospect. The failure to agree on a deal is a blow to ICI's plans to buy acrylics capacity in Germany but it makes only a small dent in the company's worldwide acrylics business which has sales of more than £500m.

ICI has already this year added the acrylics side of US chemicals company Du Pont to its portfolio. Du Pont's acrylics side had turnover last year of about £200m. The assets, stock and goodwill of the business, which is profitable, was estimated at £180m-£190m.

## Lloyd's trusts find favour with institutions

By Richard Lapper

LLOYD'S investment trusts issuing prospectuses yesterday reported strong backing from institutional investors for their plans to raise corporate capital for the insurance market.

Two of the funds - CLM Insurance Fund and Masthead Insurance Underwriting - scaled down the size of their capital raising efforts because of difficulties in obtaining sufficient capacity on "good quality" Lloyd's syndicates.

The London Insurance Market Investment Trust (LIM), sponsored by Samuel Montagu and James Capel, successfully raised £280m for a fund which will provide £480m in capacity for 98 syndicates.

Sir Laurie Magnus, a director

of Samuel Montagu, said: "It's firmly in the bag". The issue was fully subscribed, although £70m was placed subject to a clawback provision which will allow Limit to satisfy applications under the retail offer.

CLM Insurance Fund, which is supported by Sedgwick Group and Barclays de Zoete Wedd, placed 80m shares and offered a further 30m shares for subscription in an issue designed to raise £105.7m.

CLM scaled down its plans to raise up to £200m because of problems in finding sufficient capacity on good quality Lloyd's syndicates.

Lord Rees, chairman, said the "fund was large enough to provide a good spread of syndicates across a range of leading managing agents - yet

small enough to ensure we can be selective on behalf of our corporate members."

Masthead Insurance Underwriting, an investment company sponsored by Hambros Bank, said it had fully placed an issue designed to raise £43m with institutional investors. Masthead is providing £75m in capacity for between 20 and 25 syndicates.

"We are delighted with the support we have received from institutional investors," said Sir Jeffrey Bowman, chairman. Institutions would have supported the £50m offer originally intended by Masthead. This had been scaled down to take into account the "availability of underwriting capacity of the requisite quality," added Sir Jeffrey.



Michael Wade, chief executive of CLM, opening up shop

## Fenchurch pathfinder reveals strong profit growth

By Richard Lapper

FENCHURCH, the insurance broker which plans a stock market flotation later this month, yesterday published its pathfinder prospectus and reported a strong increase in profitability.

Operating profits from continuing operations increased by 44 per cent to £6.9m in the year to September 30.

Interest payable on some £19.5m of debt - which will be repaid with the proceeds of the flotation - and losses of £518,000 at the Lloyd's agency business, which is to be demerged, depressed pre-tax profits to £4.56m (£2.98m).

The group is planning a placing and intermediaries offer and will issue listing particulars on November 17.

Dealings are expected to begin on

November 26.

JO Hambro Magan is acting as financial adviser to Fenchurch and James Capel is sponsor and underwriter of the issue.

Turnover from insurance broking increased to £28.4m (£25.3m), offsetting a fall in investment income to £1.95m (£2.39m).

Turnover at the Lloyd's agency business fell to £2.83m (£3.94m).

Operating expenses in broking increased to £23.2m (£22.9m) and to £3.66m (£3.23m) in the demerged agency business.

Profits on ordinary activities before interest payable rose from £5.49m to £6.15m. Interest payable fell to £1.59m (£2.53m).

Earnings per share improved from 7.3p to 12.9p, or adjusted, to 15.5p (5.5p).

HALF YEAR RESULTS TO 25TH SEPTEMBER 1993

# MARKS & SPENCER

## GROUP PROFIT BEFORE TAXATION UP 20% TO £307M.

- Outstanding Value Campaign drives 7% UK sales increase of £155m.
- Overseas profit up 42% to £18.6 million.
- Earnings per share up 20.6%.
- Dividend up 13.6% to 2.5p.

The full half yearly results will be sent to shareholders from 5th November 1993. The report will also be available for inspection at the company's registered office from today.

StMichael



GOVERNMENT OF PAKISTAN  
MINISTRY OF COMMUNICATIONS

### PROPOSALS INVITED TO ESTABLISH AND OPERATE DATA NETWORK

In order to involve private sector to expand telecommunication services programme, applications are invited from national/international firm(s) of repute having capability and experience to develop and establish data network with a capability to operate and maintain the services for general public use in Pakistan. The firm(s) shall be required to provide data network on all Pakistan and on regional basis. Interested firms may apply along with the following documents/details:

- Feasibility study comprising system configuration and system design.
- System performance guarantee based on international standard.
- Proposed system of integration with Pak Telecom network.
- Proposal with the formula for the calculation of yearly based royalty payable to Government of Pakistan and tariff structure.
- Detailed specifications of the system.
- Full details of maintenance service facilities, support services, quality assurance and maintenance philosophy.
- Proposal of investment plan covering both foreign exchange and local component.
- Specific agreement of local production/deletion programme with any manufacturer of international repute.

If a proposal is found commercially and technically suitable by the competent authority, the selected firm(s) may be granted licence for a period of fifteen years.

Applications with necessary information/documents should reach the undersigned by 23rd December 1993. The envelope should be marked: PROPOSAL FOR DATA NETWORK.

Joint Secretary - II, Government Of Pakistan,  
Ministry of Communications, Block-D, Pak Sect.,  
Islamabad, Pakistan.  
Tel: (92-51) 823738 Fax: (92-51) 825454











## FINANCIAL TIMES THURSDAY NOVEMBER 4 1993

**INVESTMENT TRUSTS - Cont**[illegible]



INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	
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31

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4 pm close November 3

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045	1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057	1058	1059	1060	1061	1062	1063	1064	1065	1066	1067	1068	1069	1070	1071	1072	1073	1074	1075	1076	1077	1078	1079	1080	1081	1082	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1094	1095	1096	1097	1098	1099	1100	1101	1102	1103	1104	1105	1106	1107	1108	1109	1110	1111	1112	1113	1114	1115	1116	1117	1118	1119	1120	1121	1122	1123	1124	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1138	1139	1140	1141	1142	1143	1144	1145	1146	1147	1148	1149	1150	1151	1152	1153	1154	1155	1156	1157	1158	1159	1160	1161	1162	1163	1164	1165	1166	1167	1168	1169	1170	1171	1172	1173	1174	1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1190	1191	1192	1193	1194	1195	1196	1197	1198	1199	1200	1201	1202	1203	1204	1205	1206	1207	1208	1209	1210	1211	1212	1213	1214	1215	1216	1217	1218	1219	1220	1221	1222	1223	1224	1225	1226	1227	1228	1229	1230	1231	1232	1233	1234	1235	1236	1237	1238	1239	1240	1241	1242	1243	1244	1245	1246	1247	1248	1249	1250	1251	1252	1253	1254	1255	1256	1257	1258	1259	1260	1261	1262	1263	1264	1265	1266	1267	1268	1269	1270	1271	1272	1273	1274	1275	1276	1277	1278	1279	1280	1281	1282	1283	1284	1285	1286	1287	1288	1289	1290	1291	1292	1293	1294	1295	1296	1297	1298	1299	1300	1301	1302	1303	1304	1305	1306	1307	1308	1309	1310	1311	1312	1313	1314	1315	1316	1317	1318	1319	1320	1321	1322	1323	1324	1325	1326	1327	1328	1329	1330	1331	1332	1333	1334	1335	1336	1337	1338	1339	1340	1341	1342	1343	1344	1345	1346	1347	1348	1349	1350	1351	1352	1353	1354	1355	1356	1357	1358	1359	1360	1361	1362	1363	1364	1365	1366	1367	1368	1369	1370	1371	1372	1373	1374	1375	1376	1377	1378	1379	1380	1381	1382	1383	1384	1385	1386	1387	1388	1389	1390	1391	1392	1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	1404	1405	1406	1407	1408	1409	1410	1411	1412	1413	1414	1415	1416	1417	1418	1419	1420	1421	1422	1423	1424	1425	1426	1427	1428	1429	1430	1431	1432	1433	1434	1435	1436	1437	1438	1439	1440	1441	1442	1443	1444	1445	1446	1447	1448	1449	1450	1451	1452	1453	1454	1455	1456	1457	1458	1459	1460	1461	1462	1463	1464	1465	1466	1467	1468	1469	1470	1471	1472	1473	1474	1475	1476	1477	1478	1479	1480	1481	1482	1483	1484	1485	1486	1487	1488	1489	1490	1491	1492	1493	1494	1495	1496	1497	1498	1499	1500	1501	1502	1503	1504	1505	1506	1507	1508	1509	1510	1511	1512	1513	1514	1515	1516	1517	1518	1519	1520	1521	1522	1523	1524	1525	1526	1527	1528	1529	1530	1531	1532	1533	1534	1535	1536	1537	1538	1539	1540	1541	1542	1543	1544	1545	1546	1547	1548	1549	1550	1551	1552	1553	1554	1555	1556	1557	1558	1559	1560	1561	1562	1563	1564	1565	1566	1567	1568	1569	1570	1571	1572	1573	1574	1575	1576	1577	1578	1579	1580	1581	1582	1583	1584	1585	1586	1587	1588	1589	1590	1591	1592	1593	1594	1595	1596	1597	1598	1599	1600	1601	1602	1603	1604	1605	1606	1607	1608	1609	1610	1611	1612	1613	1614	1615	1616	1617	1618	1619	1620	1621	1622	1623	1624	1625	1626	1627	1628	1629	1630	1631	1632	1633	1634	1635	1636	1637	1638	1639	1640	1641	1642	1643	1644	1645	1646	1647	1648	1649	1650	1651	1652	1653	1654	1655	1656	1657	1658	1659	1660	1661	1662	1663	1664	1665	1666	1667	1668	1669	1670	1671	1672	1673	1674	1675	1676	1677	1678	1679	1680	1681	1682	1683	1684	1685	1686	1687	1688	1689	1690	1691	1692	1693	1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800	1801	1802	1803	1804	1805	1806	1807	1808	1809	1810	1811	1812	1813	1814	1815	1816	1817	1818	1819	1820	1821	1822	1823	1824	1825	1826	1827	1828	1829	1830	1831	1832	1833	1834	1835	1836	1837	1838	1839	1840	1841	1842	1843	1844	1845	1846	1847	1848	1849	1850	1851	1852	1853	1854	1855	1856	1857	1858	1859	1860	1861	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	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[illegible]

4 pm close November 3

Telcom Co	0.01	7	688	11	10%	-3
Telnet Inc	51	524	73	74	74	-3
Tenet/Phar	34	3510				21
TJ Inc	0.04	173325	32%	31%	21%	-
Time Inc	0.44	4218550	38	30		-12
Totals Intl	0	17	2250		0	21
Totango Inter	0.37	38	84	60%	80	60%
Tom Brown	30	1178	14%	14	14%	-3
Tosco Co	0.23	40	3284	6%	7%	-3
TPS Enter	302	3427	10%	10	10%	-
Travel	18	85	14%	14%	14%	-3
Travelco	0.85	11	252	34	30%	30%
Treasury	50	193	5%	5%	5%	-3
Trimble	51	435	10%	9%	9%	-3
Truett-McCoy	1.80	12	27	44%	44%	44%
Trump Co	16	1362	11	10%	10%	-3
TycoFAA	0.04	17	2343	23%	22%	22%
- U -						
US Filter	0.64	2136225	54%	50%	52%	-24
United	2	2145	4%	5%	5%	-3
USG Inter	0.88	15	134	10%	10	10
USG Tech	1.88	13	83	54	54	-3
United St	0.40	12	98	15	14%	14%
Unicom	0.20	14	185	23%	23%	23%
Unicom	1.40	14	1807	44	41%	41%
US Bancorp	0.88	10	3530	24%	24%	24
US Energy	92	11	4%	4%	4%	-3
USF Corp	0.32	5	1080	11%	10%	10%
Chem Indst	17	163	10	10%	10%	10%
USC Telnet	0	83	455%	30%	30%	-1
Unit	13	38	5%	5%	5%	-3

**Perrier battle ends with settlement**

**Perrier battle ends with settlement**



AMERICA

# Dow steps down from record levels

## Wall Street

US SHARE prices eased off record highs yesterday amid further declines in bonds and a mixed report on the economy from the Federal Reserve, writes Patrick Harrington in New York.

At 1 p.m., the Dow Jones Industrial Average was down 14.53 at 3,683.11. The more broadly based Standard & Poor's 500 was 3.49 lower at 464.95, while the American SE composite was up 0.23 at 484.51 and the Nasdaq composite down 5.30 at 779.36. Trading volume on the NYSE came to 179m shares by 1 p.m.

Profit-taking took its toll of share prices yesterday morning as investors booked some of the gains earned over the last few days.

Fresh declines in bond prices also set the tone for a downbeat morning's trading. Although bonds opened steady, a lack of buying and uncertainty ahead of the afternoon announcement of the Treasury's November refunding programme eventually pushed prices lower, further deepening concern among equity investors that the long bond market rally may have peaked.

By early afternoon the 30-year benchmark issue was down half a point, and the yield was up to 6.04 per cent.

The day's economic news had little impact upon sentiment.

The Federal Reserve published its "beige book" report on the state of the economy, and reported that economic activity continued to grow at a "slow to moderate pace". The Fed also noted that inflationary pressures at the retail level remained subdued.

Among individual stocks, hopes for sustained strength in car sales lifted the big car manufacturers, in spite of weakness in other economically-sensitive stocks.

Ford rose 3/4 to \$64 1/4, General Motors added 3/4 to \$49 1/4, and Chrysler added 3/4 to \$58 1/4, all in active trading.

Drug stocks were back in favour, with Pfizer rising 3/4 to \$64 1/4, Bristol Myers Squibb adding 1/4 to \$60 1/4 and Merck rising 3/4 to \$32 1/4.

Banc One fell 3/4 to \$36 1/4 after announcing the acquisition of Liberty National, a Kentucky-based banking group, in a stock deal worth \$784m at current prices. The news lifted Liberty National shares, which are listed on the Nasdaq market, by 3 1/4 to \$29 1/4.

Other bank stocks were weaker, unsettled by rising long-term interest rates. Chemicals eased 3/4 to \$35 1/4, Citicorp fell 3/4 to \$35 1/4, Chase Manhattan gave up 3/4 to \$32 1/4 and JP Morgan dropped 3/4 to \$70 1/4.

Pacific Telesis plunged 3/4 to \$55 1/4 in the wake of a downgrade from the securities house, Goldman Sachs, which lowered the telecommunications company's stock from "trading buy" to "market performer", citing price reasons.

On the Nasdaq market, Snaple Beverage rose \$2 to \$25 after the soft drinks company reported improved third quarter profits.

**Canada**

TORONTO moved forward at midday, helped by gains in precious metals, transportation and the property sector.

The TSE-300 composite index was 10.03 higher at 4,260.34 in volume of 49.9m shares valued at C\$375.3m.

Among the most active Placer Dome was up C\$3 at C\$31 1/4.

**SOUTH AFRICA**

JOHANNESBURG saw selective interest in industrials, where a rise of only 2 to 4.559 in the sector index masked a gain of 25 cents to R38.90 in Richmont. Golds advanced 21 to R1.724 and the overall index added 28 at 3,942.

EUROPE

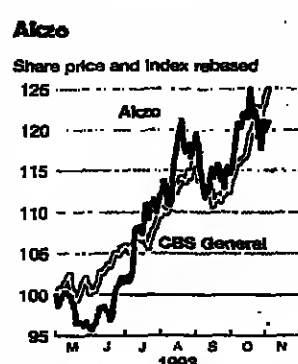
# Amsterdam rises as Akzo exceeds expectations

THE Continental accent switched again yesterday, as Frankfurt extended this week's relative strength, writes Our Markets Staff.

AMSTERDAM was surprised and generally wrong-footed as Akzo's third quarter results exceeded expectations. The chemicals group soared nearly 7 per cent, closing FI 13.90 higher at FI 194.20, helping the CDS Tendency index to a gain of 2.3 or 1.7 per cent at 140.0.

Most analysts had been expecting Akzo to show profits of between FI 120m-FI 140m, up from FI 100m. Instead, the company turned in FI 169m and, said Mr Shaw Bridges, European chemicals analyst at Merrill Lynch, the figures revealed that the management had come to grips with priorities like restructuring measures.

According to other analysts, Akzo's announcement suggested that the bottom had now been reached in its decline and that it was well placed to reap the benefits once Europe emerged from recession. The results had been helped, they



added, by a stronger dollar and improvement in the PVC market. DSM was pulled along in Akzo's wake, adding FI 2.30 to FI 105.30.

KLM and Philips are due to report today and some analysts commented that a set of good results from both could be in store. KLM, which remains subject to gains and losses on rumours surrounding the progress or otherwise of the Alcazar talks - an announcement may come this weekend - rose

FI 1.90 to FI 141.90. Philips put on FI 1.00 to FI 40.30.

FRANKFURT registered an intraday high of 2,101.50, but the DAX index fell back to close 11.22 lower at 2,084.36 after Tuesday's 33.46 gain.

Turnover declined from DM11.1bn to DM9.9bn. Dealers fell back on sector rotation, moving to construction, one of the few areas where prices are not at their high for the year. Strabag Bau jumped DM19.00 to DM610.00 and Bilfinger & Berger by DM25.00 to DM942.00; Hochtief pnt on DM123.00 and 3.4 per cent to DM123.00 and Holmann by DM28.00, or 4.1 per cent to DM967.00.

Among blue-chips, Daimler reacted to Tuesday's news of a possible dividend cut by falling DM9 to DM743, but Volkswagen, strongly higher on Monday and Tuesday, shed proportionately more, closing DM7.50 down at DM400.

PARIS was little changed on the day, the CAC-40 index rising just 1.45 to 2,171.16. Peugeot generated some interest in reaction to a rise in third quarter turnover,

## FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1385.28	1385.28	1384.26	1383.71	1382.54	1381.22	1380.78	1381.11
FT-SE Actuaries 200	1442.31	1442.31	1441.36	1440.38	1439.36	1438.02	1437.58	1437.87

the Comit index eased 0.94 to 578.68.

Olivetti tried to pick up some of Tuesday's decline before the shares advanced FF22 to FF768, still some 5.2 per cent down from the year's high recorded in mid-August.

James Capel remains bullish on the vehicle group. Mr Bob Barber noted that in spite of a good month in July, when sales benefited from the availability of diesel versions of two popular models, the following two months revealed a loss of market share. He concluded that fourth quarter results would be disappointing, should this trend continue.

MILAN felt constrained by political uncertainties ahead of local elections on November 21 and worries about the budget's passage through parliament;

SPY725 as its chief executive was quoted as saying there could be a breakthrough in the Alcazar talks by the end of the week.

DUBLIN advanced 1.6 per cent to a new year high, the ISEA overall index rising 28.50 to 1,349.27.

The market has been driven higher in recent days by Sunair's on expectations of an improved pricing structure in the US paper and packaging sector. Its shares added 12p or 5 per cent to £2.52.

Nordic forestry stocks rose sharply, by 5.4 per cent in STOCKHOLM on the view that the sector had underperformed the broad market, and by 3.9 per cent in HELSINKI in a direct response to the industry's price rise plans.

Swedish equities were lifted, additionally, by lower bond yields, the ABRWindex General index rising 13.30 to a new high of 1,443.30; in Finland, the Hex index peaked 33.3, or 2.4 per cent higher at 1,507.7.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

ASIA PACIFIC

# Hong Kong and Bangkok turn back after bull runs

SHARP reverses were suffered in Hong Kong and Bangkok, although other markets continued the region's record-setting run. Tokyo was closed for a national holiday.

Mr Michael Franklin of James Capel said that given the region's performance so far this year, it was due for a consolidation. He believed some centres would now "catch their breath" in preparation for the rally that traditionally precedes the Chinese New Year.

HONG KONG retreated 3 per cent as a late wave of profit-taking pulled the Hang Seng index 280.90 lower to 9,352.11. The correction was attributed to short-term speculative activity by investors keen to book some profits after the market's 25.6 per cent bull run since the start of October.

Among the most active blue chips, HSBC Holdings fell HK\$2.50 to HK\$48, Cheung

Kong lost HK\$1.25 to HK\$36.25, Sun Hung Kai Properties fell HK\$2.50 to HK\$45.50 and Hong Kong Telecom dropped 70 cents to HK\$16.50.

In a recent strategy report, Kim Eng Securities noted that much of the recent aggressive buying activity had centred on blue chip stocks, leaving most at post 1987 highs in price ratio terms. However, this had occurred in the absence of any improvement in economic or political fundamentals.

Kim Eng commented that while the current wave of liquidity might well continue in the short term, there would have to be a return to fundamentals. "Therefore, until there has been a consolidation of the index at these new higher levels, we think that many of the main second line stocks offer better value than blue chips."

BANGKOK fell 4 per cent in

an active day of rollercoaster trade over a 100-point range.

The SET index closed 54.36 down at 1,303.39 after a six-day rising streak that has seen the market advance 18.1 per cent. Turnover surged to a record B\$2.3bn, the previous record set on Monday, was B\$2.8bn but that compared with a daily average of B\$1m to B\$1.5m at the end of last month.

The fall came in a market beset by apparently baseless rumours of impending political upheavals and a farmers' protest march to Bangkok.

SEOUL succumbed to heavy institutional profit-taking and the composite index, which managed a 15-point rally early in the day, gave up the advance to finish 2.55 lower on balance at 756.87.

AUSTRALIA saw its second consecutive fall in the absence of foreign buyers and the All Ordinaries index, down 25

points at one stage, recovered slightly to end 16.9 off at 2,108.4 in turnover of A\$536.7m.

Blue chips to suffer included News Corp, which lost 30 cents at A\$11.04, after a day's low of A\$10.83. Analysts commented that the stock was affected by a proposal to issue so-called super voting shares.

NEW ZEALAND finished easier but above the day's lows as the market demonstrated some fatigue in the run-up to Saturday's election. The NZSE-40 capital index, which had posted gains over the previous eight trading sessions, shed 4.62 to 2,198.46 in turnover of NZ\$62m.

SINGAPORE climbed to another record close, the Straits Times Industrial Index adding 3.58 at 2,127.43, with activity again focused on cheaper priced issues.

The market was led forward by a 70-cent, or 4.8 per cent,

advance in Singapore Press Holdings to S\$15.30.

BOMBAY moved higher on buying triggered by false rumours of a resolution of the stand-off between separatists and the government at Kashmir's most sacred mosque.

The BSE 30-share index ended 18.73 ahead at 2,630.38. Local newspapers reported that the army siege of the mosque was lifted after the government reached an agreement with the militants, but the government subsequently denied the reports and said negotiations were continuing.

MANILA was propelled to an all-time closing peak by pent-up domestic and foreign institutional demand as the market returned to work after a four-day holiday. The composite index moved ahead 94.71 to 2,467.54, following last Friday's 46-point advance, in volume of 1.2bn shares.

Mr Matthew Sutherland of Asia Equity noted that in spite of repeated calls for a correction, "the index never manages to consolidate for more than a day before pushing back up again". He believed the market was still good value at current levels, seeing bright prospects for the economy in 1994, with corporate earnings far exceeding consensus forecasts of around 17 per cent.

TAIWAN rose to its best level for almost five months amid hopes that the central bank may ease credit further at its board meeting today. The weighted index ended 55.49 stronger at 4,283.34, after touching 4,298.98. Turnover of T\$51.13bn was the heaviest since April.

KUALA LUMPUR rebounded to finish generally higher as investors sought second line stocks and the composite index gained 9.97 at 992.03.

# Equity markets vary in Latin America

## By John Pitt

Variations in equity market performance characterised the Latin American region last week.

According to data supplied by the IFC, the private sector division of the World Bank, Brazil registered the strongest gain in dollar terms. However, the market remains highly volatile and the Bovespa index started this week, for instance, with a gain of 9 per cent, partly on renewed rumours of the announcement of an economic stabilisation plan.

But as Baring Securities notes, for many institutions the risk of being out of Brazilian equities is still perceived as being greater than being in. Of the region's smaller markets, Peru has attracted heavy foreign buying. Some measures conflict with the pattern shown by the IFC table, and there are indications elsewhere that Peru has shown the best performance in dollar terms over the year to date.

The approval of a new constitution in Sunday's referendum, says Mr Robert Simpson, a director of the Latin American desk at BZW in London, provides a new incentive;

Market	No. of stocks	Oct 29 1993	% Change over week	% Change on Dec '92	Local currency terms Oct 29 1993	% Change over week	% Change on Dec '92
Latin America	(11)	821.88	-3.9	+41.6	504,194.15	-3.9	+42.0
Argentina	(4)	225.83	+10.4	+80.6	49,530,147.49	+10.4	+2,277.9
Brazil	(20)	463.85	-1.3	+10.6	768.08	-1.3	+19.8
Colombia	(5)	515.46	-2.1	+4.2	747.58	-1.6	+22.3
Mexico	(8)	781.13	-0.3	+15.5	1,048.23	-0.2	+15.4
Peru	(7)	118.16	+4.0	+18.2	156.11	+4.0	+58.1
Venezuela	(8)	603.70	-9.2	+16.2	1,371.71	-6.5	+46.9
East Asia							
South Korea	(130)	98.79	-0.2	+0.5	105.04	-0.3	+3.2
Philippines	(11)	234.67	+3.4	+75.9	328.48	+4.5	+103.2
Taiwan, China	(70)	84.31	+0.7	+14.3	84.18	+0.5	+20.7
South Asia							
India	(61)	90.42	-1.9	-3.5	100.00	-1.8	+4.7
Indonesia	(31)	97.73	-0.5	+66.5	111.56	-0.5	+69.6
Malaysia	(61)	274.48	+2.2	+67.8	258.98	+2.5	+64.1
Pakistan	(6)	268.56	+4.8	+34.2	364.66	+4.5	+57.3
Sri Lanka	(9)	148.59	+10.4	+45.8	158.99	+10.4	+58.0
Thailand	(32)	360.48	+10.7	+56.5	362.70	+11.1	+55.6
Euro/Mid East							
Greece	(17)	224.70	-0.9	+15.1	366.21	-2.5	+28.6
Jordan	(5)	165.51	-3.6	+41.7	237.31	-3.1	+42.1
Portugal	(16)	109.73	-0.7	+42.2	131.06	-0.2	+68.1
Turkey	(31)	172.15	+1.1	+157.4	1,043.85	+1.9	+289.2

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1989 = 100 except those noted which are: (1) Feb 1 1991; (2) Dec 31 1992; (3) Jan 5 1993; (4) Jan 5 1993; (5) Jan 5 1993; (6) Jan 5 1993; (7) Sep 28 1990; (8) Mar 1 1991; (9) Dec 31 1992; (10) Aug 1 1993.

while privatisation proposals, expected to be in place by the end of the year, will boost market capitalisation and generate fresh overseas interest. A fall in inflation to around 1.8 per cent per month has also been encouraging.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 2 1993	MONDAY NOVEMBER 1 1993	DOLLAR INDEX
Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index
Australia (69)	182.12	110.18	142.82
Austria (17)	178.87	121.55	157.74
Belgium (42)	151.27	102.78	133.26
Canada (107)	134.34	91.28	118.94
Denmark (52)	238.58	125.00	162.13
Finland (23)	125.00	84.94	110.12
France (86)	156.43	113.09	146.81
Germany (89)	134.87	91.32	118.64
Hong Kong (59)	386.86	262.89	340.96
Ireland (14)	174.81	114.62	153.82
Italy (70)	68.41	48.48	60.26
Japan (469)	151.77	103.13	133.72
Malaysia (68)	477.88	324.89	420.95
Mexico (19)	180.14	125.27	162.91
Netherlands (25)	185.74	125.01	172.45
New Zealand (13)	68.36	46.46	60.23
Norway (23)	182.80	124.06	160.67
Singapore (58)	323.03	219.51	264.56
South Africa (60)	211.70	143.85	186.49
Spain (42)	141.78	96.35	124.91
Sweden (38)	200.04	138.93	178.23
Switzerland (52)	146.71	99.70	129.26
United Kingdom (218)	190.23	129.25	167.67
USA (519)	190.78	129.64	168.06
Europe (750)	160.79	109.26	141.66
Nordic (114)	190.46	129.42	167.79
Pacific Basin (713)	180.52	109.08	141.42
Euro-Pacific (1463)	180.52	109.07	141.41
North America (826)	180.52	109.07	141.41
Europe Ex. UK (822)	180.52	109.07	141.41
Pacific Ex. Japan (244)	245.12	158.59	215.96
World Ex. US (1649)	181.26	109.59	142.07
World Ex. UK (1989)	181.26	109.59	142.07
World Ex. AL (2108)	181.26	109.59	142.07
World Ex. Japan (1989)	181.26	109.59	142.07
The World Index (2188)	170.09	110.18	142.82

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**Channel Tunnel Rail Link**

Transfer to the private sector

Hill Samuel is advising the Department of Transport.

**Kingdom of Sweden**

US\$91 million Currency Equivalent

Ten Year Private Placement 1993

**Electricity Supply Board of Ireland**

US\$58 million Currency Equivalent

Ten Year Private Placement 1993

**PizzaExpress PLC**

Hill Samuel advised on the flotation by a reverse take over.

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